1990 MANITOBA BUDGET HIGHLIGHTS

The Honourable Clayton Manness
Minister of Finance

Province of Manitoba

A MESSAGE TO ALL MANITOBANS

The 1990 Manitoba Budget has several important goals. Our top priority in the long run is a competitive and diversified Manitoba economy, which provides increased investment and job opportunities for our citizens, and pays for quality health, education, and social programs. More immediately, the purpose of the Budget is:

- to inform Manitobans from all walks of life how important it is for us to work together with energy to achieve realistic expectations;
- to provide Manitobans with a formal accounting of the financial position of the Province to date and to provide the Government with authorization for expenditure and revenue through the end of March, 1991; and
- to continue the process of rational forward planning, begun by the current Administration, for Manitoba's financial health and the funding of our key social programs well into the 1990s.

Canada is experiencing a recession. Our own task is made more difficult by federal government cuts in funding for health, education, and other services.

Manitoba's fiscal position has improved over the last two years. Independent agencies predict modest growth in our province above the expected Canadian average.

If Manitobans have moderate and realistic expectations during this period, our Administration's sound management and multi-year forward planning will help position us for a sound recovery.

I thank you for your interest in the Manitoba Budget and hope this information will be useful to you.

Sincerely,

Clayton Manness,
Minister of Finance

REVENUE & EXPENDITURE

REVENUE

- No general tax increases are announced in this Budget.
- $30 million of Provincial Retail Sales Tax relief will be provided for Manitoba consumers if the GST is implemented.

Manitoba's Response to the GST

- The Manitoba Retail Sales Tax (RST) rate will not change. If the GST comes into force, RST will be applied against the net price of purchases *before* federal taxes are added.
- This policy will reduce the Province's receipts from the Retail Sales Tax by $30 million below the level that would have been collected next year had there been no switch to the GST.
- This will also allow consumers to see how much tax they pay to each level of government. Such visibility is crucial to fiscal accountability.
- Our Government continues to bring forward to the federal government the concerns of Manitobans about the GST.

- A payroll tax credit will be provided to firms for employee training.
- Payroll tax relief will also be provided for Manitoba firms on interprovincial and international trucking.
- The Small Business Tax Holiday Program will be extended for an additional year.
- The Tobacco Tax rate will increase by 0.5¢ per cigarette on December 2, 1990.
- The existing special mining tax will be extended to December 31, 1991, pending permanent resolution of problems in allocating provincial incomes taxes in this sector.

Revenue by Source

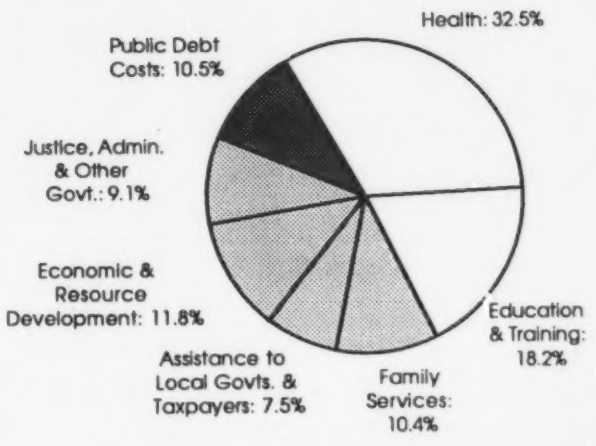
1989/90 and 1990/91

	1989/90 Preliminary	1990/91 Budget	Per Cent Change
	(Millions of Dollars)		
Own-Source Revenue	$3,001	$ 3,086	2.8
Federal Transfers	1,657	1,629	(1.7)
Net from Fiscal Stabilization Fund	—	83	—
Total Revenue after Stabilization	**$ 4,658**	**$ 4,798**	**3.0**

PROGRAM SPENDING

- Health and education are key Government priorities, which together total more than half of Provincial spending.

Provincial Expenditure
1990/91


Health: 32.5%
Public Debt Costs: 10.5%
Justice, Admin. & Other Govt.: 9.1%
Economic & Resource Development: 11.8%
Assistance to Local Govts. & Taxpayers: 7.5%
Family Services: 10.4%
Education & Training: 18.2%

Federal Transfer Payments

- A drop of $28 million (1.7%) is projected in the transfer payments Manitoba receives from the federal government to fund health, education, and other programs.
- Combined with other economic factors, this will result in low revenue growth for the Province over the next two years.

1990 PROGRAM HIGHLIGHTS

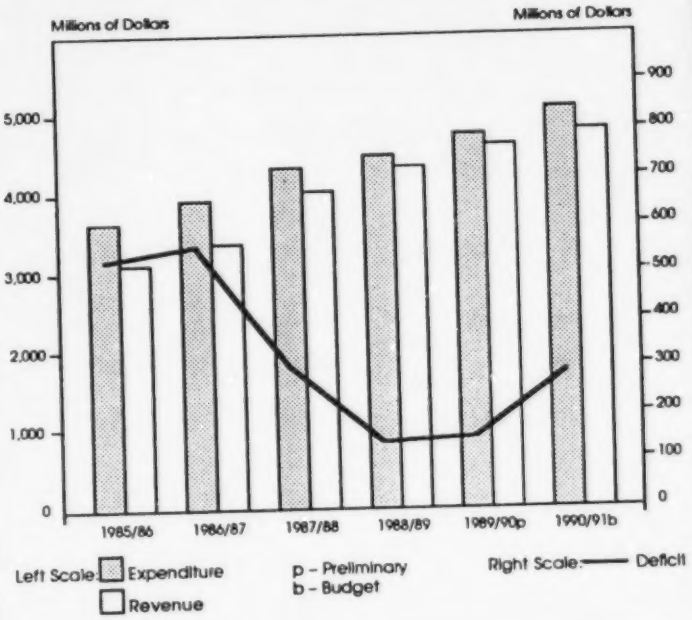
- $148 million of additional funding for health programs, to keep these essential services adequate and efficient—including $10 million for the new Health Services Development Fund.
- $48 million more to support Family Services, programs that strengthen the institution of the family and relieve the most urgent needs of individuals in our society.
- $46 million of additional funding to assist our farming community—including $23 million for the new Manitoba Interest Rate Assistance Program, and a $16 million increase in Provincial contributions for federal-provincial crop insurance.

New Measures to Protect Our Environment

- A six-fold increase in the Environmental Innovations Fund.
- A $1.4 million increase in the budgeted amount for Environment Department programming.
- A contribution of $800,000 toward the establishment of the International Institute for Sustainable Development in Winnipeg — to join the world-wide effort to begin integrating ecological and economic thinking.

- $37 million of additional funding invested in our emerging workforce through Education and Training programs.
- Action to bring more jobs to Manitoba, including an agreement by which Manitoba Energy and Mines will provide $2.2 million to facilitate location of the new Dow Corning plant in East Selkirk.

MANITOBA'S FISCAL POSITION



The Fiscal Stabilization Fund

- To provide stability despite shortfalls outside the Province's control, our Administration established the Fiscal Stabilization Fund 1 1/2 years ago.
- The Fund continues to grow, due to interest it is earning, and the deposit of $17 million gained from the privatization of Manitoba Data Services.
- In part to cushion the impact on our revenue of the federal transfer payments shortfall, we are withdrawing $100 million from the Fund this year.
- After this draw, the Fund will be left with $252 million.

Recycled Paper

THE 1990 MANITOBA BUDGET ADDRESS

The Honourable Clayton Manness
Minister of Finance
October 24, 1990

Check against delivery

On the Cover:
The Great Gray Owl has been Manitoba's provincial bird emblem since 1987. The largest North American owl, it is a permanent resident of northern mixed-wood and coniferous forests. It nests from the southeast corner of the province, to Riding Mountain National Park, and north to Churchill. As number four on the American Birding Association's list of the top 50 birds to log, the Great Gray Owl attracts birdwatchers to Manitoba from all over North America.

The Manitoba Budget is printed on recycled paper.

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THE 1990 MANITOBA BUDGET

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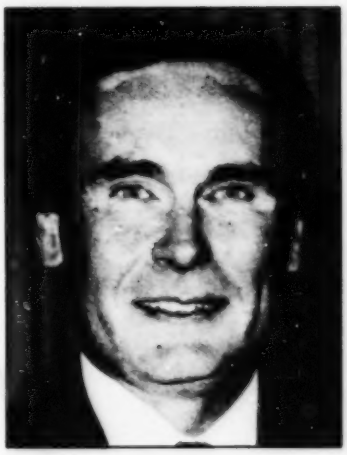
Mr. Speaker:



It is an honour for me to present our Government's third Budget to the Legislative Assembly and the people of Manitoba.

Today is United Nations Day. Recently we celebrated Thanksgiving. These occasions remind us of our good fortune to reside in a country which is prosperous and free, in a land with vast natural resources and with people who seek opportunity, and then have the will and the skills to take advantage of opportunity as it arises.

In today's Budget I will report on the current state of the economic and fiscal affairs of the Province. I will outline our plans to help Manitoba meet the challenges of the 1990s and to create a positive climate for investment and jobs.

Our country is experiencing recession. Production of goods and services declined in the second quarter of 1990. Signs of a further decline abound for the third quarter. Virtually no growth is expected until mid-1991.

A major cause is the federal policy of high interest rates to combat inflation. Inflation impacts in so many different ways—eating away at the value of incomes and savings, reducing our competitive position, and necessitating difficult adjustments for individuals, organizations and governments alike, causing disharmony and fear. However, there must be an appropriate balance between fighting inflation and maintaining a healthy economy.

High interest rates have retarded consumption and investment. The costs are being felt by homeowners and prospective home buyers who cannot afford higher mortgage payments. They are being felt by businesses and farmers squeezed by higher borrowing costs. High interest rates have driven up the value of the Canadian dollar and made our export industries less competitive. They have also exacerbated the federal government's own deficit problems.

The situation is especially critical in the farm community. In 1990, Manitoba farmers recorded one of the best crops ever. Yet, they will receive less cash income for this crop. And they continue to face severe interest costs.

In my first Budget, I stated our main objective as a government:

> "Our goal is a competitive and diversified economy which will provide increased investment and job opportunities for our citizens, and pay for quality health, education and social programs."

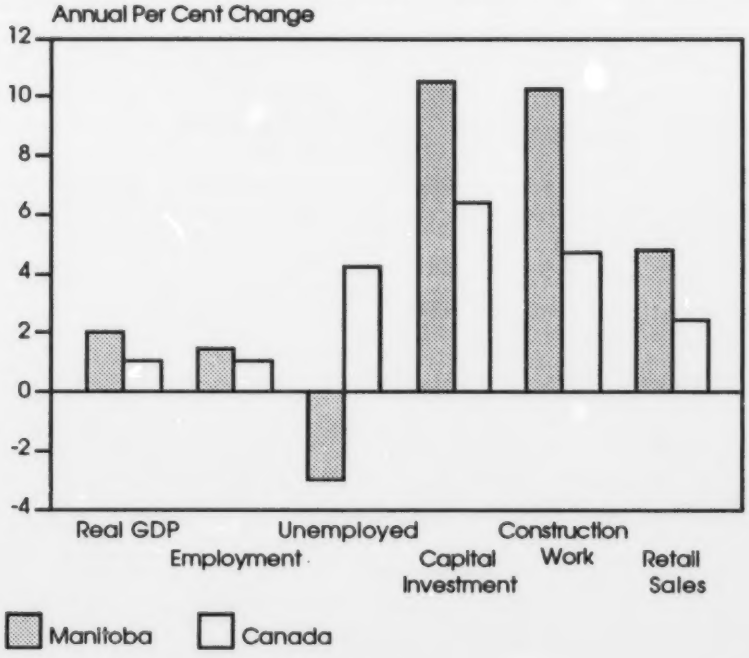
This is still our top priority.

Manitoba is a province with great potential. We have abundant land, pure water and clean air—assets we take for granted, but which are scarce in much of the world. We have industrious and hard-working people. We have vast renewable energy resources—resources which are even more highly valued in times like these.

Manitobans will feel the consequences of the economic shocks caused by domestic and world events. However, Manitoba can expect to weather any downturn relatively well. Indeed, some forecasters suggest that Manitoba will be at or near the lead in economic growth in Canada this year.

- Overall growth is projected at double the national average.
- Employment grew 1.5% in the first nine months, outpacing the 1.1% growth nationally.
- The number of people unemployed in Manitoba actually declined 3% in contrast to a 4.2% increase nationally.
- Capital investment intentions are up 10.5% in Manitoba versus 6.4% nationally.
- Construction work is expected to increase 10.3% in Manitoba, more than double the 4.7% national increase.
- Retail sales are up 4.5%, double the national increase of 2.2%.

Economic Performance, 1990



Source: Refer to Budget Paper A for details.

I could spend more time talking about Manitoba's economic achievements relative to other provinces, but, I believe the future is more important than the past. And, our job is to build for that future by managing equitably, creatively and reasonably. We must provide the quality public services so essential to meet the needs and aspirations of Manitobans. But these must be placed on a secure financial footing that will ensure they are available not just for us, but for our children as well.

Short-sighted efforts to maintain services on the basis of excessive spending, rising public debt costs and escalating taxes will not work. These policies destroy Manitoba's opportunities for development as high taxes choke off investment, and the job opportunities investment brings. They squeeze the budgets available for the programs Manitobans want. In short, they result in a vicious spiral of weakening our economic prospects, and eroding our ability to preserve vital programs in the future.

We have the legacy of those policies of the past. Annual interest costs on the Province's debt are over a half billion dollars annually. That obligation alone takes 85% of our sales tax revenue. It is close to one-third of our health budget, or 10% of our program spending. Imagine what $500 million each year would add to our ability to provide programs, and to offset lower income growth through further tax reductions.

A true spirit of co-operation and partnership will be essential, as Manitoba moves through the difficult period ahead. All of us must pull together. Businesses must be especially prudent and reasonable in all their decisions. Labour must be more far-sighted in its demands. Governments must learn to provide needed services more efficiently. It is simply not realistic to add to the tax burdens facing Manitobans, individuals and businesses alike.

In our first two Budgets, we acted decisively to make Manitoba's taxes competitive.

- Manitoba's personal income taxes, especially for families with children, were reduced.

- The payroll tax exemption was increased six-fold, eliminating this tax for 70% of Manitoba's taxable employers.

- To encourage the formation of new businesses, the Vision Capital Fund was established, and a tax holiday for new small businesses was introduced.

These measures, along with tax increases in other provinces, have tangibly improved our competitive position on taxes.

More competitive taxes build on other significant advantages, which make Manitoba an attractive place to do business. Energy costs are among the lowest on the continent. Business costs, both for office rents and serviced industrial land, are among the lowest of major Canadian cities. The province boasts a talented and stable work force, with one of the best records of labour peace in the country. Living costs are well below average in housing, owned or rented, and in transportation. Agriculture Canada reports that Winnipeg's food costs are the lowest among major cities in the country. In line with these low costs, average wages and salaries in Manitoba are third-lowest among the provinces—a significant cost advantage for employers. But, with lower living costs in Manitoba, those wages help provide a quality of life unmatched elsewhere.

These advantages are key to attracting the business investment which is so critical to the creation of permanent, productive and challenging jobs.

We face many challenges. And our task is made more difficult by a federal government which by its actions, especially in equalization and health and higher education funding, undercuts our efforts. Restrictions on equalization payments are particularly troublesome. They result in the burden of federal restraint falling most severely on recipient provinces. I have written the federal Finance Minister to underscore the important role of equalization in strengthening our nation, to meet the forces and challenges that lie ahead. As has often been said, equalization is the glue which holds our country together. The integrity of the equalization program must be protected.

We will continue to oppose federal actions where they conflict with the Province's interest. But, we will also prepare our fiscal plans on the basis of the burdens federal actions impose on Manitobans.

We cannot turn to hard-pressed taxpayers to make up for the shortfalls in federal transfers. Instead, we must become more creative and efficient. We must make the hard choices of reducing programs in some areas, to ensure that the essential programs can be protected. And we must learn to deliver essential programs in the most cost-effective manner.

It has been 16 months since the last Manitoba Budget, and we are now more than halfway through the fiscal year. Minority government, the excessive length of the last session, the Meech Lake dilemma and the election have contributed to the delay. But that kind of delay is incompatible with good budgeting principles. Budgets need to be planned before the start of a fiscal year. Decisions on resource allocations should be made and communicated to managers and those reliant on the programs while there is still time to adjust.

It is our intention to present the next Manitoba Budget early next spring. We are determined to put Manitoba's budget planning back on track. We are depending on co-operation from the Opposition to achieve this goal.

REPORT ON THE PROVINCE'S FINANCES

I am pleased to report that substantial progress has been made in establishing a sound framework for the Province's finances. But more remains to be accomplished.

The deficit had averaged $500 million in the four years following the 1982 recession. It has been held to less than $150 million in each of the last two fiscal years.

Overall spending growth has been reduced to 4.7% on average since 1987/88, a sharp contrast with the near 10% average annual growth recorded under the previous administration. Within these overall limits, larger increases have been allocated to priority areas such as health and education.

Our Government also moved to establish a savings account for Manitobans, the Fiscal Stabilization Fund. Some $200 million of the exceptional revenue growth in 1988/89 (largely mining revenue and equalization adjustments) were deposited to that Fund to ensure that in periods of exceptionally slow revenue growth, some resources would be available to help cushion the shortfalls. The Fund has grown with interest revenue and deposits of proceeds from divestiture of Manfor and Manitoba Data Services.

In my last Budget, I predicted a decline in net general purpose debt in 1989/90, the first such decline in over twenty years. I am happy to report that such a decline was achieved.

1990/91 BUDGET INITIATIVES

Our Government's fiscal plans for 1990/91 reflect a continuation of fiscal prudence, and a strong commitment to initiatives to improve our social and economic well-being.

Tax Measures

Competitive taxes are essential to help achieve the enormous economic and financial potential of our Province, and to provide a durable basis to finance essential programs. Our first two Budgets took action to make Manitoba's taxes more competitive. We will continue to build on the gains made in Manitoba over the last two years, and lay the foundation for a brighter future.

There will be no general increase in personal taxes in this Budget.

There will be no increase in business taxes in this Budget.

There is one selective tax increase—a 1/2 cent per cigarette increase in the tobacco tax. In addition, pending resolution of problems in the allocation of provincial income tax in the mining sector, the special 1.5% mining tax introduced in the 1989 Budget will be extended until December 31, 1991.

We have worked hard to bring Manitoba's taxes more in line with those in other provinces. This Budget continues that process.

Goods and Services Tax

Our Administration shares the concerns of Manitobans regarding the federal Goods and Services Tax (GST). We have brought our concerns to the federal government on several occasions.

There is still some uncertainty as to the future of the GST. Should it come into force, our Government will apply the provincial Retail Sales Tax alongside the GST. We will end the current practice of applying provincial sales tax to selling prices which include federal sales tax. We will not put tax on tax.

As a result, Manitoba's Retail Sales Tax will be cut by approximately $30 million annually, or $100 for a family of four. While this relief is modest in relation to the added federal tax burdens imposed under the GST, it should provide a measure of well-timed assistance to Manitoba consumers.

Applying the Retail Sales Tax alongside the GST will help ensure maximum visibility for the new federal tax in Manitoba. **Visibility is critical if governments are to be held accountable for the money they raise and spend.**

Manitoba will continue to resist federal offloading through the application of the GST to provincially funded programs such as nursing homes, public housing, hospitals, educational institutions, Workers' Compensation and compulsory automobile insurance.

If the GST proceeds, Canada will become the only industrialized nation to have two significantly different kinds of general sales taxes operating at the retail level. Our Government has always been sensitive to the needless complication and expense such duplication in administration means for Manitoba businesses and consumers. The application of the Retail Sales Tax alongside the GST will help simplify compliance. Manitoba will undertake to explore all avenues to further reduce complexity and compliance costs.

Other Tax Measures

In conjunction with the major sales tax reduction associated with applying the Retail Sales Tax alongside the GST, I am pleased to announce three targeted tax reductions to help generate new investment and jobs.

- First, a payroll tax credit will be provided for employee training.
- Secondly, Manitoba trucking firms will receive full payroll tax relief for international and interprovincial trucking.
- Finally, the New Small Business Tax Holiday Program will be extended for an additional year.

1. Payroll Tax Credit for Employee Training

Manitoba's economy is part of an intensely competitive global marketplace. An educated, well-trained, flexible work force is essential to succeed in this environment.

Unfortunately, many workers lack the basic skills needed to meet this challenge. In part, misplaced priorities in our education system are to blame. Other factors, accelerated obsolescence of skills and immigration, present Manitoba businesses with an ongoing role and continuous challenge in educating workers. The new employment training tax credit will encourage businesses to invest in upgrading the skills of their employees.

Effective for 1991, Manitoba business employers will qualify for a credit of up to 0.3% of their payroll for costs related to employee training. This initiative will complement others in the Workforce 2000 Plan announced earlier this month in the Speech from the Throne.

The credit recognizes the contribution of the many far-sighted Manitoba businesses who invest heavily in the skills of their employees. It is a contribution that benefits their employees and other businesses, and significantly improves the quality of life in Manitoba.

Employers taking full advantage of the new credit will have their effective payroll tax reduced to 1.95%, the same as in Ontario.

Details of the credit will be finalized in intensive consultations with Manitoba's business community over the next few months.

2. Payroll Tax Relief for Out-of-Province Trucking

Manitoba's trucking firms face acute competitive pressures. A healthy, competitive, transportation sector is vital to Manitoba's prospects for expanded access to markets beyond our borders.

We are, therefore, establishing a Government-Industry Task Force mandated to examine the tax and regulatory treatment of the industry. We will make every effort to ensure a fair and competitive environment for this important industry.

To provide some immediate relief, the payroll tax attributable to interprovincial and international trucking will be eliminated beginning January 1, 1991.

These two measures are expected to reduce payroll tax revenue by about $8.0 million over a full year.

3. Small Business Tax Holiday Extended

The Manitoba New Small Business Tax Reduction, introduced in the 1988 Budget, will be extended for an additional year. The program provides tax relief during the critical first years of new enterprises. This program provides reduced income tax rates for new small business corporations for their first five taxation years. In the first year, there is no Manitoba corporation income tax payable.

Federal Transfers

Earlier, I referred to the problems facing the Province under equalization. Equalization assesses the amount of federal support each province requires to meet the constitutional commitment to equalization. The Constitution states:

> "Parliament and the government of Canada are committed to the principle of making equalization payments to ensure that provincial governments have sufficient revenues to provide reasonably comparable levels of public services at reasonably comparable levels of taxation."

However, federal legislation includes an override to entitlement calculations which limits growth in federal payments in relation to Gross National Product. As a result, instead of the $951 million Manitoba requires under the equalization formula to meet the constitutional commitment, Ottawa is scaling our payment back by $67 million. The override began to affect payments earlier this year. It is now affecting payments for 1988/89 and 1989/90, as well as 1990/91. Unless redressed, the override will hold support to Manitoba some $200 million below the equalization standard over the three-year period. All recipient provinces face the same problem.

Manitoba also faces the continuing reductions in federal funding for health and post-secondary education programs, while program budgets continue to expand. The 1990 federal Budget funding freeze will cost Manitoba $33 million in the current year, and a further $66 million in 1991/92.

These federal actions add to pressure on provincial governments, with the burden falling most heavily on the equalization-recipient provinces. An immediate review is required. The urgency is all the more acute in light of the recession, which could further reduce the cap on equalization at a time of great and increasing need.

Federal policy must be changed. We will work for a change. But, in the meantime, we must plan our Budget within a framework incorporating these federally imposed restrictions.

1990/91 Revenue Summary

Revenue growth in 1990/91 is limited.

While income tax revenue is showing strong growth, anticipated mining revenue is down $72 million, to one-third of last year's level. The Gulf crisis has increased oil prices dramatically. As a result, consumption tax revenue has been scaled back from earlier estimates, and now shows growth of about 1%.

In all, revenue from Manitoba's taxes and fees, including the initiatives announced tonight, is expected to grow $85 million, or 2.8%.

Estimated federal transfer payments drop $28 million or 1.7% in 1990/91. In the absence of federal restrictions on equalization, and the federal freeze on health and higher education funding, transfers would have been at least $100 million higher.

To help cushion the shortfalls in federal support, we are withdrawing $100 million from the Fiscal Stabilization Fund to augment revenue for 1990/91.

This will bring total budgetary revenue growth for 1990/91 to 3.0%.

Revenue by Source
1989/90 and 1990/91

	1989/90 Preliminary	1990/91 Budget	Change	Change
		(Millions of Dollars)		(Per Cent)
Manitoba Collections	1,817	1,785	(32)	(1.8)
Income Taxes	1,184	1,301	117	9.9
Total Own-Source Revenue	3,001	3,086	85	2.8
Federal Transfers	1,657	1,629	(28)	(1.7)
Total Revenue before Stabilization	4,658	4,715	57	1.2
Net Fiscal Stabilization Fund*	—	83	83	—
Total Revenue after Stabilization	**4,658**	**4,798**	**140**	**3.0**

* Net of $17 million from sale of MDS transferred to Fund from Operating Fund.

Fiscal Stabilization Fund assets totalled $303 million at March 31, 1990. $32 million in interest will be earned on cash in the Fund. A deposit of $17 million will be made, representing the net cash proceeds from the sale of Manitoba Data Services. The planned withdrawal of $100 million will reduce the Fund's assets to $252 million as at March 31, 1991.

Fiscal Stabilization Fund

	1989/90	1990/91
	(Millions of Dollars)	
Fund Assets (April 1)	200	303
Interest Earnings	25	32
Transfers into Fund		
Repap Shares	78	
MDS Net Cash Proceeds		17
Transfer from Fund to Government Operating Fund	—	(100)
Fund Assets (March 31)	303	252*

*Fund Assets consist of $174 million cash and $78 million Preferred Shares of Repap Enterprises which will be retained in the Fund until redemption.

1990/91 Spending Priorities

The spending plans tabled with this Budget reflect our continuing determination to find resources to protect vital services within a difficult fiscal environment.

Total budgetary spending, after allowance for unspent funds at year end, is up $279 million, or 5.8% over last year's preliminary results.

Our priorities are clear.

We remain committed to more balanced development of the Manitoba economy. This Budget contains a number of initiatives to help sustain and strengthen rural development.

Agriculture commands the largest increase within Economic Development, with $23 million for the new Manitoba Interest Rate Assistance Program for Farmers, and a further $16 million for crop insurance cost sharing, to continue full protection for Manitoba farmers in the face of federal funding withdrawals.

The recently announced $90 million Southern Development Initiative will assist key centres in southern Manitoba to strengthen their opportunities for sustainable economic development.

Last week's announcement of a $30 million project by Dow Corning in East Selkirk is supported with a $2.2 million commitment in this Budget.

In addition, the Budget includes resources to proceed with our departmental decentralization initiatives.

The Budget also reconfirms our commitment to measures to protect the environment. The Estimates include:

- $800,000 as a Provincial commitment for the International Institute for Sustainable Development;
- a six-fold increase in the Environmental Innovations Fund; and
- a $1.4 million increase in the budget for the Environment Department.

The Budget includes provision for a major increase in resources for priority social programs. This includes:

- a $148 million increase for Health;
- a $48 million increase for Family Services; and
- a $37 million increase for Education and Training.

The social program increase is substantial relative to inflation and represents over two times our revenue growth.

It is not my intention to outline all the initiatives in the 1990/91 Estimates—all the programs which have been sustained or improved; the areas where savings have been achieved through more efficient or effective spending; the special circumstances requiring one-time or ongoing new expenditure commitments. These will be discussed during the debates on the Expenditure Estimates.

FISCAL PLAN SUMMARY

In my last Budget, I projected a 5% increase in expenditure to over $5 billion, a 2.5% increase in revenue to near $4.75 billion, and a deficit in the range of $250 to $290 million.

Total expenditure is now budgeted at $5.08 billion, up 5.8%. While program expenditure growth has been held to 5.3%, public debt costs are projected to rise by more than 10% over last year's level.

On the revenue side, growth prior to the draw on the Fiscal Stabilization Fund was only 1.2%—less than half the preliminary forecast from last year. Mining revenue is projected to fall more significantly, federal transfer payments have been cut again in the 1990 federal Budget, and the weakening economy is affecting provincial revenue.

Comparative Statement of Budgetary Revenue and Expenditure
1989/90 and 1990/91

	1989/90 Preliminary*	1990/91 Budget	Change	Change
	(Millions of Dollars)			(Per Cent)
Expenditure	4,802	5,081	279	5.8
Revenue	4,658	4,798	140	3.0
Deficit	144	283	139	96.3

* Adjusted for inclusion of lotteries funded programs in revenue and expenditure.

To summarize, total budgetary spending is up 5.8% to $5.1 billion. Total revenue, including the withdrawal from the Fiscal Stabilization Fund, is $4.8 billion. The deficit is $283 million. We believe a deficit of this magnitude is appropriate in current circumstances. Part of the slowdown in revenue has been accommodated with the Fiscal Stabilization Fund draw, and part with the increased deficit.

The total non-budgetary capital expenditure program is $954 million. Of that amount, $517 million is for Manitoba Hydro, $206 million for the Manitoba Telephone System, $89 million for the Manitoba Housing and Renewal Corporation, $64 million for the Manitoba Agricultural Credit Corporation and $76 million for various other corporations, boards and agencies. The Loan Act, 1990, will provide the necessary expenditure and borrowing authority.

MULTI-YEAR BUDGETING

In last year's Budget, I started the process of providing information on the Province's fiscal circumstances beyond the current budget year. We are using that process internally. It ensures that the implications of today's decisions on Manitobans, are evaluated in terms of their effect on our future, as well as on the present.

Had that process been in place during the NDP years, it is just possible that decisions would have been made not to live beyond our means from 1982 to 1988. It is just possible that Manitobans would not be burdened by annual public debt borrowing costs of $537 million—more than $450 million higher than a decade ago.

Manitobans today are paying for those decisions. Our Government is determined not to repeat those mistakes. We will not succumb to the temptation to borrow excessively now, and leave future Manitobans to pay.

For 1991/92, anticipated revenue from Manitoba taxes and fees is somewhat below the more moderate growth expected for our economy. We anticipate growth of about 4%. The outlook for federal transfers is sombre. With the continued declines in health and higher education transfers, and the GNP override on equalization, cash transfers are expected to be virtually flat. Even with a further $100 million draw on the Fiscal Stabilization Fund, total revenue growth would be limited to under 3%. And, like all Manitobans, the Province also faces unavoidable cost increases, including the impacts of higher oil prices.

In such circumstances, the need for moderation in demands on Government is self-evident. If overall spending in 1991/92 were to match this year's increase at 5.8%, the deficit would increase dramatically—to close to $450 million, after the Fiscal Stabilization Fund withdrawal.

For 1992/93, revenue growth should improve somewhat. While revenue from our taxes and fees will roughly match economic growth, federal transfers are expected to grow more slowly. At this stage, overall revenue growth of about 5% appears possible. If spending growth were to continue at this year's rate, the deficit would expand further, to $500 million annually!

In two short years, our general purpose debt would increase by close to a billion dollars. This would add $100 million to our annual interest bill, and further squeeze our collective ability to protect vital programs and maintain a tax regime supportive of economic development.

This is a serious challenge to Manitobans. Spending growth next year will have to be reduced if we are to hold the deficit at this year's level. And, this would not allow any progress towards our longer-term goal of eliminating the deficit.

The restrained revenue outlook means difficult choices will be required to protect vital services. We will have to trim internal government spending and cut overhead and administration costs. We will have to reduce funding in less essential areas. We will have to become more efficient in the delivery of the important programs in health and education and family services, and in protecting the environment.

It is important to protect our competitive position in this difficult period as well. We must hold the line on taxes, or we will impede economic development and job creation.

The limited revenue growth and importance we attach to priority programs also limits our capacity to pay for increased costs, including wage settlements, higher oil prices and federal offloading. Wage settlements are particularly important, inasmuch as labour costs represent 80% on average of all program costs. We are, therefore, asking that all those involved in public sector negotiations recognize this fiscal reality. Any settlements above our revenue growth can only be financed by reductions in staffing or programs.

All those reliant on government funding should pay close attention to this outlook. It means that major recipients, both inside and outside Government, simply cannot be guaranteed increased support at the rate of inflation. With this Budget, Government serves notice that it will be examining its internal spending with even greater focus than it has in the last two years. Similarly, groups and institutions outside of Government are advised to examine their internal spending very closely. Government will not have the capacity to provide significant increases in 1991/92 or 1992/93. Within these constraints, health care remains our first priority.

CONCLUSION

We all must do our part to refrain from unreasonable demands, whether they be with respect to prices, wages, services or taxes. This concept of sharing responsibility is important to building the strong and competitive Manitoba we must have, to assure long-term stability and improvements in our quality of life.

Manitoba is a land of immense opportunity. While 1990 and 1991 will be difficult years, we have all the ingredients for a bright and prosperous future. Our future is in our hands. We have the choice of pulling together through the economic slowdown and sharing its costs. Or we can try to offload the costs to others. If we choose the latter course, the costs will multiply. Weaker members of our province will be hurt the most, and we will run a risk of undercutting our longer-term potential. Our Government rejects that path.

We have faith in the good sense and sound judgement of Manitobans. We believe that, with a forthright and honest presentation of the realities ahead, Manitobans will choose moderation and co-operation through the difficult times. Provided Manitobans are prudent and reasonable in all their demands, and provided Government, agencies and institutions manage carefully, we can maintain all essential programs and build for a stronger future.

This Budget lays the foundation for that future.

Budget Paper A

ECONOMIC PERFORMANCE AND PROSPECTS

ECONOMIC PERFORMANCE AND PROSPECTS

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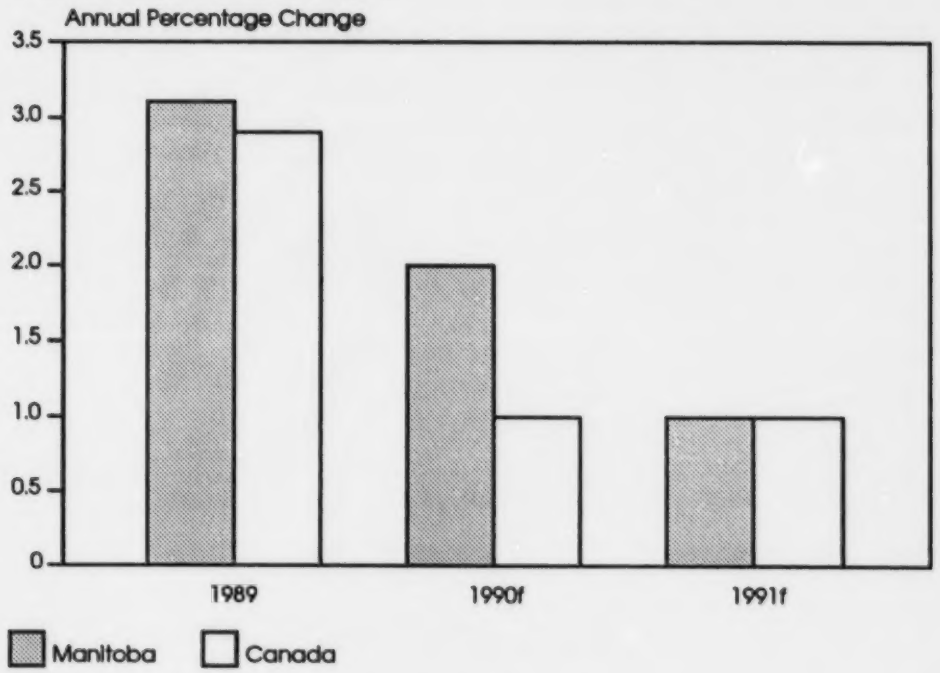
The Canadian Situation

For the past seven years, the Canadian economy has enjoyed one of the longest expansions of the post-war years. In the first quarter of 1990, real Gross Domestic Product (GDP) in Canada was 29% higher than it was just before the recession in 1981.

The expansion came to a halt in the second quarter, when Canada's real GDP declined by 0.4%. It is clear from several indicators that the economy continued to decline in the third quarter and is now in recession.

Much of the weakness in the Canadian economy is attributable to the efforts of the Bank of Canada to lower the rate of inflation. The Bank feared that an economy running at close to capacity, especially in Ontario, would generate an inflation spiral; and so it raised interest rates almost steadily from early in 1987 until mid-1990. In the second quarter of this year, one-year mortgage rates hit 14.25%—approximately 10 percentage points higher than the rate of inflation. This spread was even higher than in the summer of 1981, when mortgage rates hit an all-time peak of 21.25%, and inflation was 12.7%—a spread of 8.6 percentage points.

Real Gross Domestic Product Growth, Manitoba and Canada



f - Forecast

High interest rates cause the economy to slow down in several ways: consumers spend less on the items they usually buy with borrowed money, such as houses, cars and household appliances, and higher borrowing costs eat into income spent on other items; businesses cut back on investment spending; and a widening spread between Canadian and American interest rates results in an artificially high Canadian dollar, and a consequent worsening of the competitive position of our exports. This last point is of considerable importance in an economy in which exports are equal to one quarter of Gross Domestic Product.

By forcing the pace of economic growth to slow, high interest rates seem to have relieved some of the inflationary pressure in the economy. In the last half of 1988 and the first half of 1989, the GDP price index was increasing at rates above 5%. Since the third quarter of 1989, the rates of increase have been no higher than 3.2%. Consequently, the Bank of Canada has seen fit to reduce interest rates somewhat. The Bank Rate fell by 1.4 percentage points between May 24 and October 18, and commercial lending institutions have followed suit.

A continued decline in interest rates is crucial to a return to healthy economic growth rates in Canada. However, several factors are now placing additional pressures on the economy:

- our major trading partner, the United States, is expected to have about 1% real growth in the next year. In part, this is related to serious problems in the U.S. financial sector;

- the situation in the Middle East has created instability and uncertainty in the oil market. If the rise in oil prices is sustained, Canada will likely experience both an increase in price levels and some reduction in output and employment;

- the Goods and Services Tax (GST) is expected to increase the rate of inflation by more than a percentage point.

This situation will place conflicting pressures on monetary policy. Interest rates must decline to offset the tendency to lower growth due to reduced demand for goods and services within Canada, a slowing economy in the U.S. and elsewhere, and higher energy prices. However, there will also be concern to ensure that the inflation threat from energy price increases and the introduction of the GST does not lead to accelerating inflation.

The current weakness in the economy should be sufficient to offset inflationary pressures. As a result, there is a broadening consensus among independent observers that further interest rate reductions are warranted. Without sustained reductions, a deep, prolonged recession is almost guaranteed.

On the assumption that interest rates will decline further and that oil prices will fall back from current levels, real growth of about 1% in 1991 is expected.

The Manitoba Situation

In 1989, Manitoba's real GDP growth rate of 3.1% was slightly above the national growth rate of 2.9%. For 1990, forecasters, on average, expect real GDP growth in Manitoba to be about 2%—approximately double the national rate.

On many performance indicators, Manitoba is outperforming the national economy in 1990:

- average total employment in the first nine months was up 1.5% in Manitoba over the same period last year, but up 1.1% for Canada;
- the actual number of people unemployed in the first nine months was down 3% in Manitoba, and up 4.2% in Canada;
- capital investment is expected to increase by 10.5% in Manitoba this year, versus 6.4% for Canada, according to Statistics Canada's mid-year survey of investment intentions;
- the value of construction work is expected to increase by 10.3% this year, as compared to 4.7% for Canada, according to estimates released in July by Statistics Canada;
- retail sales for the first eight months of 1990 were up by 4.5% in Manitoba from the same period last year, double the 2.2% increase for all of Canada;
- manufacturing shipments in the first eight months were flat in Manitoba, but for Canada they were down 2.4%.

Manitoba did not outperform Canada by every measure of economic performance. Housing starts in the first nine months were down 16.4% in Manitoba, but only down 9.8% in Canada. The population of Manitoba on July 1 was up 0.5%, while Canada's was up 1.4%.

To say that Manitoba is doing better on the whole than the national average does not mean that there is no cause for concern. The rate of growth is slower this year than it was in 1989, and is expected to slow even further in 1991; forecasts suggest real growth in the neighbourhood of 1% for both Manitoba and Canada next year.

Agriculture, in particular, is a major concern. For 1990, increased receipts for crops and livestock are offset by sharply lower payments from the federal government. The result is an expected 33% reduction in realized net income (cash receipts minus operating expenses and depreciation, not counting the effects of inventory changes). Cash receipts are expected to decline in 1991 due to falling grain prices, so that net income may fall even further, in spite of the excellent harvest this fall.

There will only be a lasting improvement in prices if the grain trade subsidy war between the United States and the European Community can be brought to an end. Canadian producers have been caught in the crossfire of this battle, seeing their prices plummet as excess quantities of heavily subsidized grain are dumped on the world market. The main hope for an end to this subsidy war, and for a return to reasonable market prices, is a successful conclusion to the Uruguay Round of GATT negotiations this coming December.

Manitoba Outlook at a Glance

	1990	1991
	(Per Cent Change Except as Noted)	
Gross Domestic Product (market prices)		
Nominal	5.3	5.5
Real	2.0	1.0
Employment	1.6	0.8
Unemployment Rate (%)	7.3	7.9

Canadian Exchange and Interest Rates

	1986	1987	1988	1989	1990
	(Foreign Currency per Canadian $)				
US Dollar	0.72	0.75	0.81	0.84	0.86
Japanese Yen	120.48	108.70	104.17	116.28	127.61
German Mark	1.56	1.35	1.42	1.59	1.41
Swiss Franc	1.29	1.12	1.18	1.38	1.22
Interest Rates			(Per Cent)		
90-Day Commercial Paper	9.2	8.4	9.7	12.2	13.3
5-Year Mortgages	11.2	11.2	11.6	12.1	13.6
Consumer Prices			(Per Cent Change)		
CPI	4.2	4.4	4.0	5.0	4.7

Note: All data are annual averages except 1990, which are January to September averages.

Source: Statistics Canada and Bank of Canada

- Short term interest rates in Canada were rising during the early part of 1989, but were stable during much of the year. Early in 1990 they began rising again, and on May 24 the Bank Rate reached 14.05% — its highest level since 1982. Since then, it has declined by 1.4 percentage points, standing at 12.66% on October 18. This is still 5.6 percentage points above the level of March 1987, which was the low point for the Bank Rate during the 1980s. The one-year mortgage rate rose to 14.25% in late April 1990, the highest level in 7.5 years. In August, it began falling, and was 13.25% in mid-October.

- Interest rates in Canada rose relative to U.S. rates in 1989 and continued to rise over the first half of 1990. The adjusted spread between Canadian and U.S. three-month commercial paper rates peaked at 5.65 percentage points in May—the highest spread ever. On October 18, the spread was 4.25 percentage points.

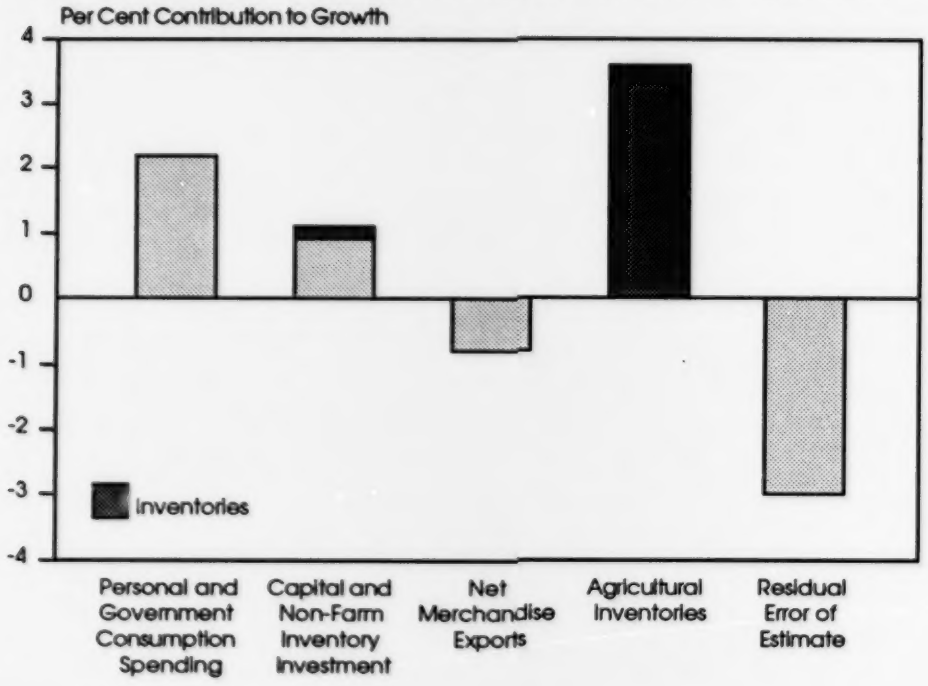
- The large interest rate differentials have contributed to the appreciation of the Canadian dollar against the U.S. dollar. From January 1988 to August 1990, the dollar appreciated 12% against the U.S. dollar to peak at 88.4 cents U.S. on August 23, 1990. It has since declined, and stood at 86.5 cents U.S. on September 28.

- The Canadian dollar reached a low point against the Mark and the Swiss Franc in December 1987. It then appreciated against those two currencies until mid-1989, and has since depreciated. On September 28 the dollar was worth 1.35 Marks and 1.12 Swiss Francs.

- The Canadian dollar also reached a low point against the Yen in December 1987, but it then appreciated until April 1990. It has since fallen, and was worth 119.46 Yen on September 28.

- At September 30, 58.0% of Manitoba's direct and guaranteed debt outstanding was denominated in Canadian dollars, 39.0% was in U.S. dollars, 1.5% was in Swiss Francs, and 1.5% was in Yen. Manitoba currently has no debt in Marks.

Sources of Real Gross Domestic Product Growth, 1989

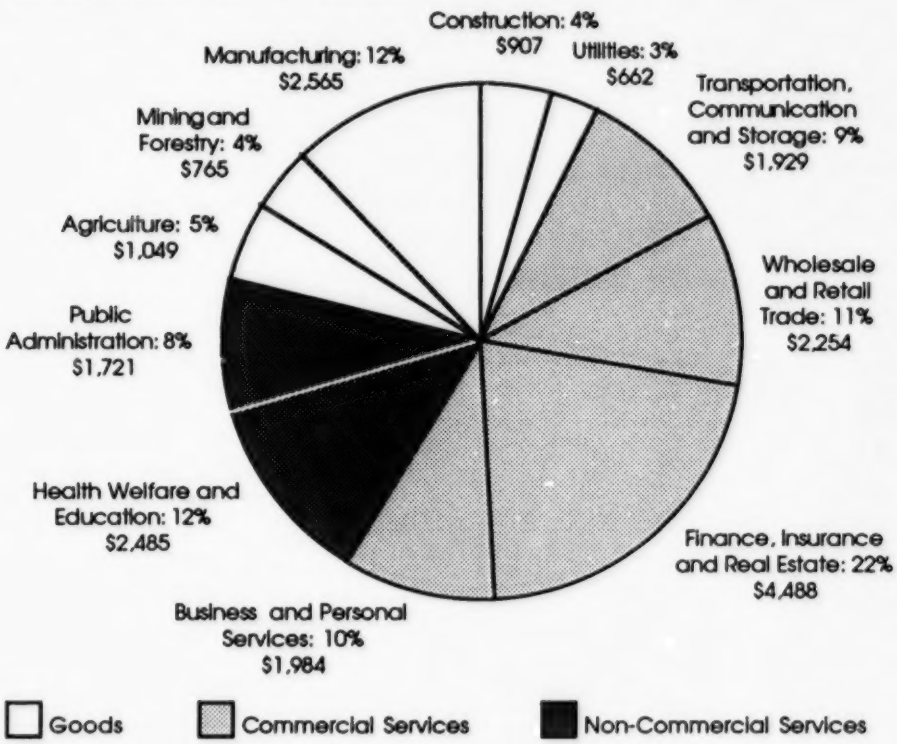


Source: Manitoba Bureau of Statistics

- In 1989, Manitoba's Gross Domestic Product at market prices (GDP) increased by $1.6 billion, or 7.5%, to $22.9 billion. Real GDP (which is corrected for price increases) grew by 3.1%.
- Consumption expenditure by persons and governments contributed 2.2 percentage points to real GDP growth in 1989.
- Capital investment and non-farm inventory investment together added 1.1 percentage points to growth. Non-residential construction and investment in machinery and equipment were strong and added 1.8 percentage points to growth, but this was partially offset by some weakness in residential construction.
- Merchandise exports and imports both increased, but the increase in imports was greater. As a result, international and interprovincial trade had the net effect of removing 0.8 percentage points of real GDP growth.
- An unusually large 3.6 percentage points of growth was due to an increase in agricultural inventories. Due to the drought in 1988, inventories were drawn down to a very low level that year. A better crop in 1989 resulted in inventories returning to more normal levels.
- The residual error is the difference between two separate calculations of GDP: one being the sum of expenditures, and the other being the sum of incomes. This residual also includes net trade in services, for which reliable data is not available.

Gross Domestic Product at Factor Cost, by Industry, 1989

Millions of Dollars and Per Cent of Total



Source: Manitoba Bureau of Statistics

- Gross Domestic Product at factor cost is the sum of the incomes earned by factors of production. In 1989, it increased by $1.2 billion to $20.8 billion.

- Production of goods accounted for 28% of Manitoba's GDP at factor cost in 1989. Manufacturing was the largest of the goods-producing sectors, accounting for some 12% of GDP. Agriculture was second with 5%, followed by construction with just over 4%. Natural resource extraction, including mining and forestry, was the fourth largest sector, accounting for just under 4%. Utilities accounted for a little more than 3%.

- Commercial services accounted for 52% of GDP. Finance, insurance and real estate was the largest of the service sectors, amounting to 22% of GDP. Wholesale and retail trade accounted for 11%; business and personal services for 10% and transportation, communication and storage for 9%.

- Health, welfare and education accounted for 12% of GDP, while public administration accounted for 8%.

Population and Labour Market

	1985	1986	1987	1988	1989	Year-to-Date Average 1990
	(Thousands of Persons)					
Population (June 1)	1,064	1,071	1,079	1,084	1,085	1,090
Working Age Population	787	793	799	803	803	805
Labour Force	518	526	531	535	538	545
Employment	475	486	492	494	498	506
Unemployed	42	40	39	42	41	39
	(Per Cent)					
Participation Rate	65.8	66.4	66.5	66.7	67.0	67.7
Unemployment Rate	8.2	7.7	7.4	7.8	7.5	7.2

Year-to-date labour force statistics are seasonally adjusted.

Source: Statistics Canada

- In 1989, British Columbia, New Brunswick and Prince Edward Island experienced net in-migration from other provinces. Alberta had almost zero net migration, and the other provinces experienced net out-migration, including—for the first time since 1981—Ontario. In 1989, net interprovincial out-migration from Manitoba was down 374 to 8,910.

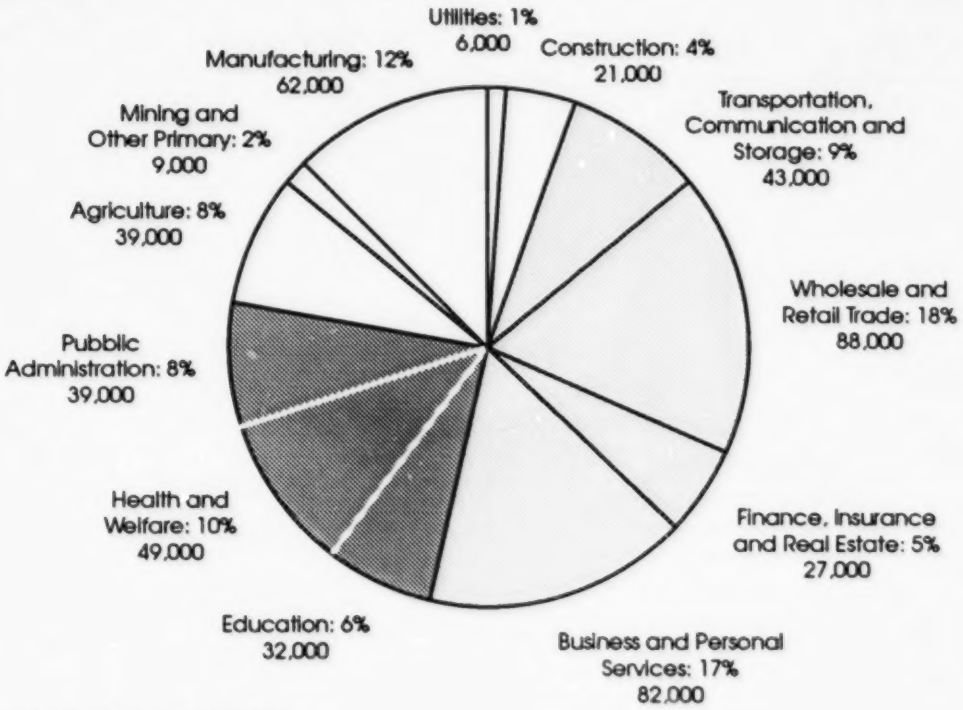
- Net international immigration to Manitoba in 1989 was up 33% to 4,424—the highest level since 1980.

- In 1989, employment averaged 498,000 in Manitoba. The unemployment rate averaged 7.5%—fourth lowest among the provinces.

- In the first nine months of 1990, employment in Manitoba was higher by 7,000, or 1.5%, than in the same period in 1989. The unemployment rate over the same period averaged 7.2%.

Employment by Industry, 1989

Number of Employed and Per Cent of Total



Total Employment: 498,000

Goods | Commercial | Non-Commercial

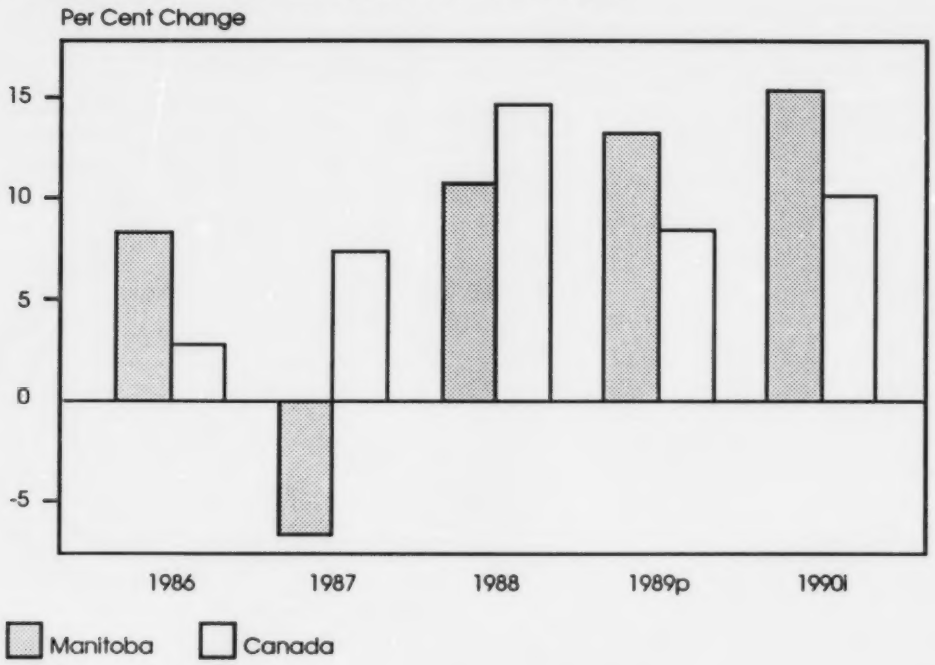
Note: Totals may not add due to rounding

Source: Statistics Canada

- Goods-producing industries account for about 28% of total employment in Manitoba. Commercial services account for 48%, while health and welfare, education, and public administration account for 24%.

- In 1989, employment was relatively stable in all sectors. In most, the increase or decrease from 1988 was only 1,000. The exceptions, varying by 2,000, were agriculture and construction.

Non-Residential Capital Investment, Manitoba and Canada, 1986 to 1990



p–Preliminary I–Intentions

Source: Statistics Canada

- According to Statistics Canada's Private and Public Investment Survey, capital investment in Manitoba is projected to reach $4.6 billion in 1990, an increase of $434 million, or 10.5%, from 1989. This is above the national increase of 6.4%. However, the national economic situation has deteriorated since the survey was conducted, and the projected levels may not be realized in Canada or Manitoba.

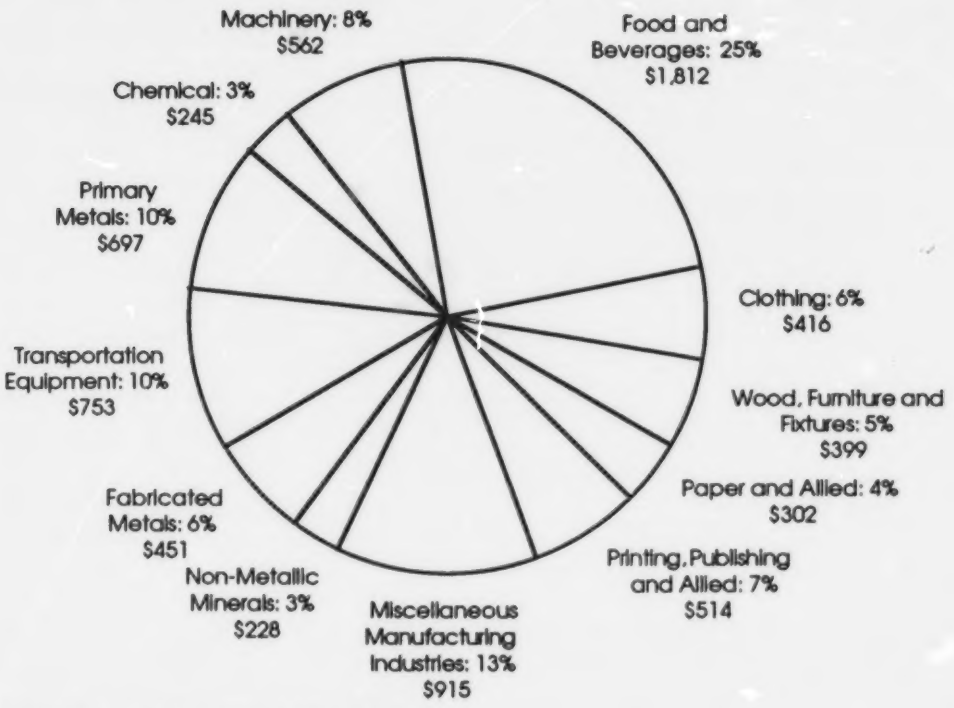
- Non-residential capital investment in Manitoba is expected to increase by 15.5% to $3.5 billion in 1990, with growth led by: utilities, up 31% to $1,288 million; institutions and government departments, up 25.2% to $759 million; and primary industries and construction, up 3.8% to $469 million. Investment in trade, finance and commercial services is unchanged at $651 million. Manufacturing investment is down 1% to $343 million.

- Some of the major projects under way in 1989 and 1990 include: Winnipeg Free Press printing plant and offices, $105 million; Inco mine development and processing plant upgrading, Thompson, in excess of $75 million; Western Canada Combine plant, Portage la Prairie, $15 million; Boeing plant expansion, Winnipeg, $31 million; Hughes Aircraft Acoustic Technology Plant, Winnipeg, $10 million; and Dow Corning silicon pilot plant, East Selkirk, $30 million.

- In 1989, there were 4,084 housing starts in Manitoba. Residential investment spending is projected to decline by 3.5% to $1.0 billion in 1990. CMHC forecasts housing starts of 2,800 in 1990, reflecting high interest rates and reduced consumer confidence.

Manufacturing Shipments, 1989

Millions of Dollars and Per Cent of Total



Total Value of Shipments: $7,294 million

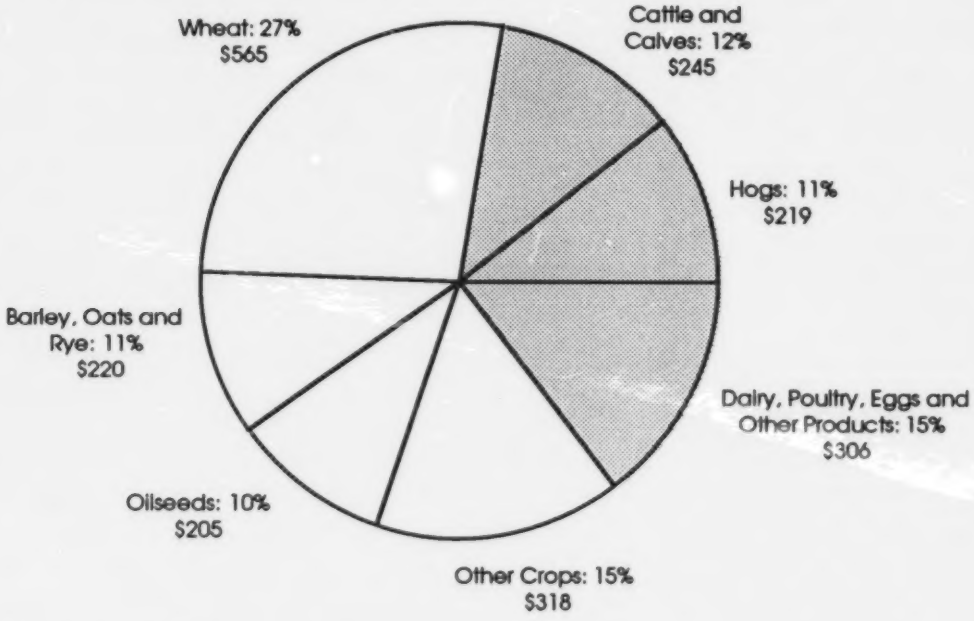
Note: Totals may not add due to rounding.

Source: Statistics Canada

- The value of manufacturing shipments in Manitoba increased by $522 million to about $7.3 billion in 1989. For the third year in a row, the growth rate of manufacturing shipments was higher than for Canada as a whole, although, at 7.7%, it was down somewhat from rates of 10.0% in 1987 and 8.7% in 1988.
- Growth in the value of shipments was led by machinery, up 40.2%; transportation equipment, up 26.2%; printing and publishing, up 19.7%; fabricated metals, up 14%; and furniture and fixtures, up 8.6%. The value of primary metal and non-metallic mineral shipments both increased by over 7.2%, while the value of clothing and textile shipments advanced at 1.5%. Reductions were reported for chemicals, down 1.5%, paper and allied products, down 1.6%, and food and beverage industries, down 4.0%.
- Employment in manufacturing industries fell 1.6% to 62,000 in 1989, down from 63,000 in 1988, which was its highest level since 1981.
- In the seven months ended July 1990, the value of manufacturing shipments increased 0.9% from the same period a year earlier, with strong growth in the shipments of primary metals, machinery and chemicals.

Agricultural Production, 1989

Millions of Dollars and Per Cent of Total



Note: Oilseeds include canola, flax and sunflower.
Other Crops include hay, $132 million, and potatoes, $46 million.

Note: Totals may not add due to rounding.

Source: Manitoba Department of Agriculture

- In 1989, the total value of agricultural production increased by $302 million, or 17%, to $2.1 billion.
- Production of major grains increased sharply in 1989 in volume terms. Wheat production rose 67% and barley production rose 42%. The value of total crop production (including grains, oilseeds and other crops) was up $338 million, or 35%, to $1.3 billion.
- The value of livestock production decreased $37 million, or 5%, to $770 million, as increases in dairy, poultry, eggs and other products could not offset declines in the value of cattle, calves and hogs.

Farm Income, 1985 to 1990

	1985	1986	1987	1988	1989p	1990f
	(Millions of Dollars)					
Cash receipts						
Crops	1,105	1,067	806	871	892	998
Livestock	722	769	808	761	761	816
Payments	172	238	478	432	449	190
Total Cash Receipts	**2,000**	**2,075**	**2,092**	**2,064**	**2,102**	**2,004**
Less: Operating Expenses	1,471	1,403	1,388	1,435	1,540	1,534
Net Cash Income	**528**	**672**	**704**	**629**	**562**	**470**
Income-in-Kind	14	14	14	14	14	14
Less: Depreciation	264	271	265	272	281	287
Realized Net Income	**278**	**415**	**453**	**372**	**295**	**197**
Inventory Change	283	-37	-76	-219	139	291
Total Net Income	**561**	**378**	**378**	**152**	**434**	**488**

p - Preliminary f - Forecast

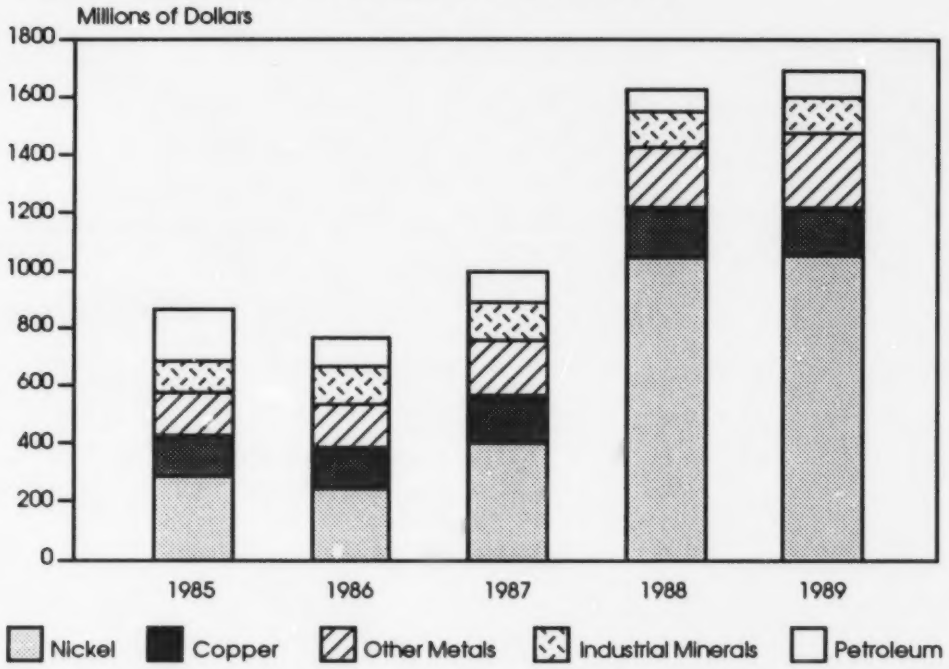
Source: Statistics Canada

- In 1989, total farm cash receipts increased by 1.8%, to $2.1 billion. Cash receipts for crops increased by 2.4%, to $892 million. Cash receipts for livestock were unchanged at $761 million. Direct payments from government increased by 3.9%, to $449 million. Included in direct payments are $31.6 million under the Western Grain Stabilization Act (down $100 million), $165 million in crop insurance payments (up $72 million) and an additional $252 million in other payments, including income stabilization plans.

- Because farm operating expenses and depreciation were up, realized net income declined by $76 million, or 20.6%, to $295 million.

- In 1990, production volumes for most types of crops have been excellent. However, low world grain prices will restrain improvements in the total production value. Cash receipts for crops and livestock are expected to increase in 1990, while direct payments from government are projected to decline by more than 50%. As a result, total cash receipts are expected to decline by 5%.

Value of Mineral Production, 1985 to 1989



Source: Statistics Canada

- The value of mineral production increased 4% in 1989, to $1.7 billion, following a 63% increase in 1988.
- Nickel production decreased 8% to 64,600 tonnes in 1989, but still posted a $1.1 billion value of production.
- Zinc production increased 35% to 72,500 tonnes, and along with a 34% price increase, posted a record $157 million value of production.
- The value of production of copper increased 2% to $170 million; gold fell 22% to $61 million; and platinum fell 23% to $14 million in 1989.
- The value of industrial minerals remained unchanged at $121 million and petroleum increased by 17%, to $92 million in 1989.
- The value of mineral production in 1990 is expected to decline about 30% to $1.2 billion, principally due to declining world metal prices, particularly for nickel, and reduced gold production. Industrial minerals are expected to remain stable, while the value of petroleum production will increase some 20% to $110 million.

Cost of Owning a House, Selected Major Cities, 1990

	Average Starter House Price	Property Taxes	Annual Heating	Monthly Carrying Cost
Regina	$ 59,907	$ 1,589	$ 560	$ 808
Winnipeg	**64,022**	**1,756**	**640**	**872**
Quebec	66,330	1,706	990	921
Edmonton	85,265	1,695	450	1,074
Halifax	84,098	1,862	810	1,106
Montreal	89,140	1,932	910	1,173
Calgary	104,694	1,770	440	1,283
Victoria	118,940	1,965	710	1,472
Ottawa	115,969	2,638	620	1,489
Hamilton	130,831	1,811	560	1,558
Vancouver	142,356	1,803	410	1,653
Toronto	192,029	2,183	570	2,161

Source: Canada Mortgage and Housing, September 1990

- According to information recently published by Canada Mortgage and Housing, Winnipeg has the second-lowest starter house prices among the twelve major cities shown above.
- In contrast to some other surveys, the CMHC analysis concluded that Winnipeg's property taxes are fourth lowest among the twelve cities. Winnipeg has the fourth highest heating costs.
- Carrying costs of a starter house in Winnipeg are second lowest. (Carrying costs include mortgage costs as well as taxes and heat.)

Office Space and Land Costs, Selected Major Cities, 1990

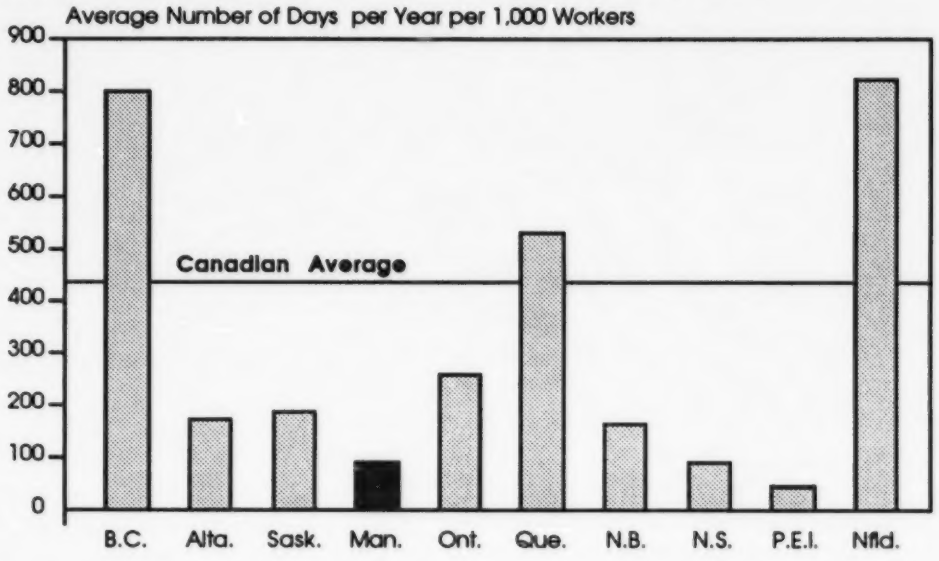
	Downtown Office Rents ($ per Square Foot)	Serviced Industrial Land Costs ($'000 per Acre)
Montreal	20.00 - 34.00	87 – 653
Ottawa-Carleton	22.00 - 27.00	90 – 250
Toronto	26.75 - 52.50	250 – 1,200
Winnipeg	**12.50 - 18.50**	**52 – 300**
Regina	18.00 - 21.50	25 – 150
Calgary	12.50 - 18.50	75 – 220
Edmonton	10.00 - 18.00	30 – 125
Vancouver	18.00 - 32.00	125 – 1,200

Source: Royal LePage Market Report, 1990 and Winnipeg Real Estate Board

- Winnipeg is a relatively inexpensive place to live, and it is also a relatively inexpensive place to do business. Downtown office rents are amongst the lowest available in eight regional centres, and less than half as high as the rents which prevail in Toronto. Winnipeg also has amongst the lowest cost serviced industrial land. Prices in Toronto are four to five times higher.

- Other costs are low as well, for example, electricity for industrial use. In 1989, 400,000 kWh of electricity cost $14,400 in Winnipeg, which is almost the lowest rate on the continent. The same amount of electricity cost $16,800 in Vancouver, $17,300 in Calgary, $19,400 in Montreal, $20,000 in Toronto, $23,600 in Dallas, Texas, and $37,700 in Chicago, Illinois.

Time Lost to Strikes and Lockouts, 1985 to 1989



Source: Labour Canada

- Manitoba has one of the best labour-management relations records in Canada. Over the years 1985 through 1989, the annual average number of days lost due to strikes and lockouts per thousand workers was 89. This was the third-lowest rate among the provinces, and approximately one-fifth of the Canadian average of 433 days.

- In 1989, there were only 5 days per thousand workers lost to work stoppages. The Canadian average was 320.

MANITOBA ECONOMIC STATISTICS, 1985 to 1989

	1985	1986	1987	1988	1989
	(Millions of Dollars Except as Noted)				
GROSS DOMESTIC PRODUCT	17,706	18,468	19,597	21,347	22,947
SECTORS					
Agricultural Production	2,445	2,025	1,876	1,776	2,078
Manufacturing Shipments	5,552	5,661	6,229	6,772	7,294
Mineral Production	861	764	1,000	1,627	1,690
Electric Power Sales	578	618	608	631	696
Housing (Units)	6,557	7,699	8,174	5,455	4,084
Retail Trade	5,201	5,444	5,769	5,972	6,820*
INCOME					
Total Personal	15,664	16,515	17,710	18,563	19,968
Personal Disposable	13,261	13,775	14,646	14,979	16,207
Wages and Salaries	8,487	9,041	9,533	10,077	10,659
Farm Cash Receipts	2,000	2,075	2,092	2,064	2,102
INVESTMENT					
Total	3,200	3,584	3,516	3,782	4,121
Non-Residential	2,382	2,584	2,417	2,680	3,037
Housing	818	1,001	1,099	1,102	1,083
POPULATION					
June (000's)	1,064	1,071	1,079	1,084	1,085
LABOUR MARKET					
Labour Force (000's)	518	526	531	535	538
Employment (000's)	475	486	492	494	498
Participation Rate (%)	65.8	66.4	66.5	66.7	67.0
Unemployment Rate (%)	8.2	7.7	7.4	7.8	7.5
CONSUMER PRICES					
(Index, 1986 = 100)	95.7	100.0	104.2	108.5	113.7

* Data for 1989 is based on a revised series.

Source: Statistics Canada and Manitoba Bureau of Statistics

1985	1986	1987	1988	1989	
	(Per Cent Change)				
7.3	4.3	6.1	8.9	7.5	**GROSS DOMESTIC PRODUCT**
					SECTORS
5.2	-17.2	-7.4	-5.3	17.0	Agricultural Production
10.1	2.0	10.0	8.7	7.7	Manufacturing Shipments
5.4	-11.3	30.9	62.6	3.9	Mineral Production
8.6	6.9	-1.6	3.8	10.3	Electric Power Sales
23.5	17.4	6.2	-33.3	-25.1	Housing (Units)
15.2	4.7	6.0	3.5	14.2*	Retail Trade
					INCOME
7.1	5.4	7.2	4.8	7.6	Total Personal
6.8	3.9	6.3	2.3	8.2	Personal Disposable
3.8	6.5	5.4	5.7	5.8	Wages and Salaries
1.0	3.7	0.8	-1.3	1.8	Farm Cash Receipts
					INVESTMENT
26.1	12.0	-1.9	7.6	9.0	Total
12.8	8.5	-6.5	10.9	13.4	Non-Residential
91.4	22.4	9.8	0.3	-1.7	Housing
					POPULATION
0.8	0.7	0.7	0.5	0.1	June (000's)
					LABOUR MARKET
1.0	1.5	1.0	0.8	0.6	Labour Force (000's)
1.1	2.3	1.2	0.4	0.8	Employment (000's)
-	-	-	-	-	Participation Rate (%)
-	-	-	-	-	Unemployment Rate (%)
					CONSUMER PRICES
4.1	4.5	4.2	4.1	4.9	(Index, 1986 = 100)

Note: Per cent changes are based on unrounded data.

Budget Paper B

FINANCIAL STATISTICS

FINANCIAL STATISTICS

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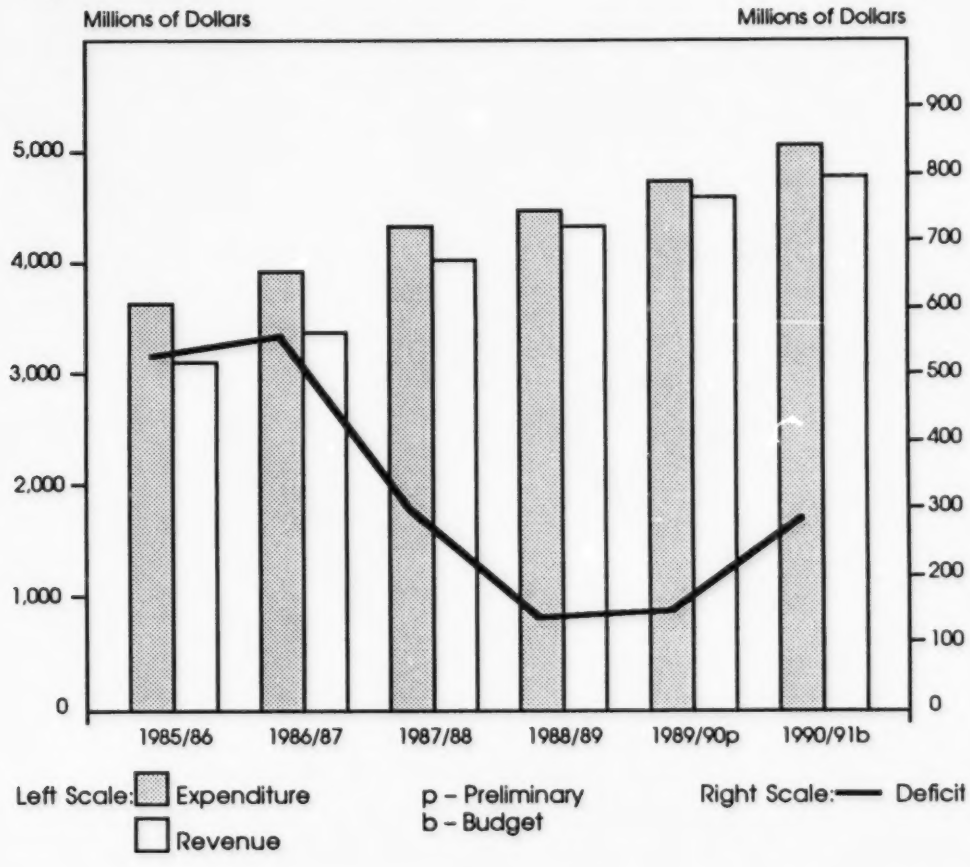
Summary of Fiscal Position

1985/86 to 1990/91



Comparative Statement of Budgetary Revenue and Expenditure

1989/90 and 1990/91

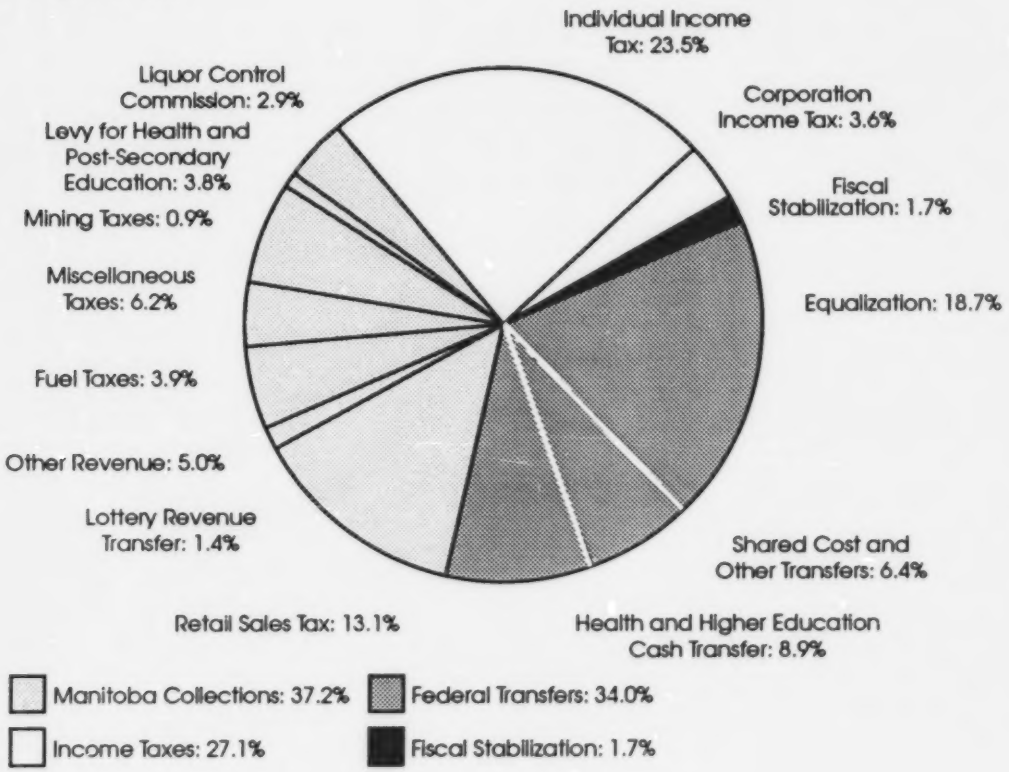
	1989/90 Preliminary*	1990/91 Budget	Change	Change
	(Millions of Dollars)			(Per Cent)
Budgetary Expenditure	4,802	5,081	279	5.8
Budgetary Revenue	4,658	4,798	140	3.0
Deficit	144	283	139	96.3

* Adjusted for inclusion of lotteries funded programs in revenue and expenditure.

Provincial Revenue, 1990/91

Major Sources

Per Cent of Total



Revenue by Source

1989/90 and 1990/91

	1989/90 Preliminary	1990/91 Budget	Change	Change
	(Millions of Dollars)			(Per Cent)
Manitoba Collections	1,817	1,785	(32)	(1.8)
Income Taxes	1,184	1,301	117	9.9
Total Own-Source Revenue	3,001	3,086	85	2.8
Federal Transfers	1,657	1,629	(28)	(1.7)
Total Revenue before Stabilization	4,658	4,715	57	1.2
Net Fiscal Stabilization Fund	—	83	83	—
Total Revenue after Stabilization	**4,658**	**4,798**	**140**	**3.0**

Revenue Estimates

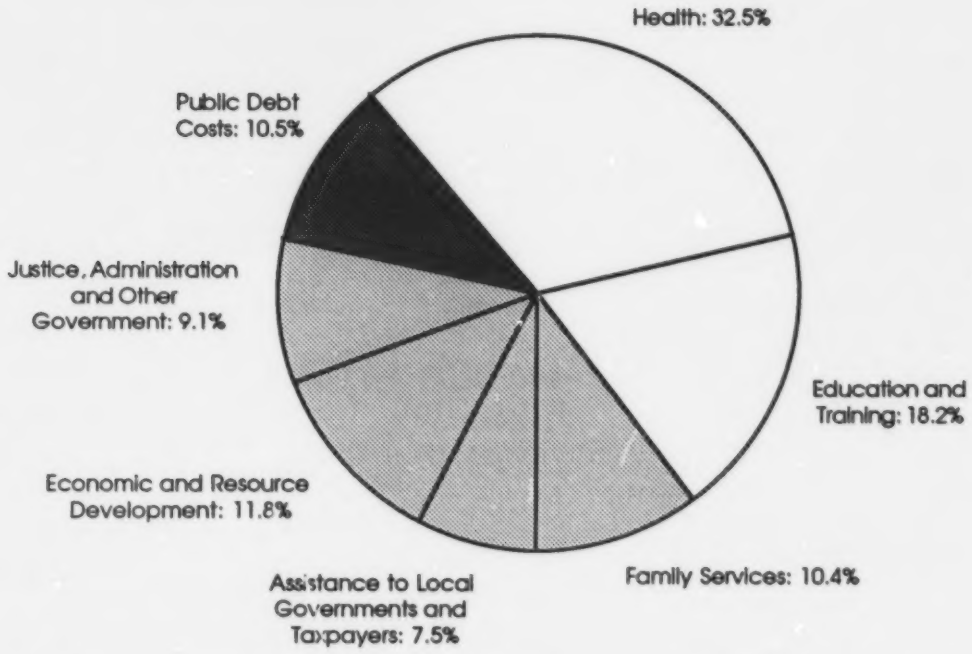
1989/90 Preliminary*				1990/91 Estimate	% of Total Revenue
$1,817,322,300		**MANITOBA COLLECTIONS**		$1,784,768,700	37.2
		Taxes, Levies and Collections			
	$ 9,440,800	• Land Transfer Tax	$ 7,950,000		
	72,524,700	• Corporation Capital Tax	76,500,000		
	126,023,200	• Gasoline Tax	126,500,000		
	23,085,200	• Insurance Corporations Tax	23,700,000		
	191,267,700	• Levy for Health and Education	180,000,000		
	115,485,700	• Mining Tax	43,500,000		
	65,002,600	• Motive Fuel Tax	62,500,000		
	6,889,800	• Oil and Natural Gas Tax	7,829,600		
	621,730,400	• Retail Sales Tax	630,000,000		
	48,156,700	• Revenue Act, 1964, Part I	49,500,000		
	116,854,900	• Tobacco Tax	113,000,000		
	6,022,500	• Other Taxes	6,966,800		
	15,122,000	• Reciprocal Taxation Agreement	12,000,000		
	$1,417,606,200	Subtotal	$1,339,946,400		
		Fees and Other Revenue			
	$ 24,376,400	• Fines and Costs; Land Titles; and Other Legal	$ 27,362,100		
	5,422,400	• Minerals and Petroleum; and Other Energy and Mines	5,657,200		
	33,349,700	• Automobile and Motor Carrier Licences and Fees	33,220,000		
	7,888,700	• Drivers' Licences	10,408,000		
	29,246,300	• Water Resources	34,123,800		
	14,895,600	• Parks; Forestry; Fisheries; and Other Natural Resources	16,778,600		
	86,590,400	• All Other Manitoba Collections	110,904,000		
	$ 201,769,500	Subtotal	$ 238,453,700		
	$ 145,949,600	**Liquor Control Commission**	$ 140,000,000		
	$ 51,997,000	**Lottery Revenue Transfer**	$ 66,368,600		
1,183,421,000		**INCOME TAXES**		1,300,700,000	27.1
	$ 152,327,300	• Corporation Income Tax	$ 173,000,000		
	1,031,093,700	• Individual Income Tax	1,127,700,000		
1,657,018,400		**FEDERAL TRANSFERS**		1,629,340,900	34.0
	$ 909,495,000	**Equalization**	$ 895,900,000		
	$ 430,832,000	**Health and Higher Education Cash Transfer**	$ 427,300,000		
		Shared-Cost and Other Transfers			
	$ 200,235,300	• Canada Assistance Plan	$ 222,124,600		
	116,456,100	• Other	84,016,300		
	$ 316,691,400	Subtotal	$ 306,140,900		
$4,657,761,700		**TOTAL REVENUE BEFORE STABILIZATION**		$4,714,809,600	
		Transfer to Fiscal Stabilization Fund re Manitoba Data Services Disposition		(17,000,000)	(0.4)
		Transfer from Fiscal Stabilization Fund		100,000,000	2.1
$4,657,761,700		**TOTAL REVENUE AFTER STABILIZATION**		**$4,797,809,600**	**100.0**

* Adjusted for inclusion of lotteries funded programs.

Provincial Expenditure, 1990/91

Major Categories

Per Cent of Total


Health: 32.5%
Public Debt Costs: 10.5%
Justice, Administration and Other Government: 9.1%
Education and Training: 18.2%
Economic and Resource Development: 11.8%
Family Services: 10.4%
Assistance to Local Governments and Taxpayers: 7.5%

Program Expenditure, 1990/91
Operating and Capital

	Operating Expenditure	Capital Expenditure	Total Program Expenditure
	(Millions of Dollars)		
Health	1,623	49	1,672
Education and Training	900	35	935
Family Services	535	—	535
Assistance to Local Governments and Taxpayers	360	28	388
Economic and Resource Development	470	138	608
Justice, Administration and Other Government	431	35	466
Minor Capital	(26)	26	0
Total	**4,293**	**311**	**4,604**

Expenditure Estimates

1989/90 Preliminary*			1990/91 Estimate	% of Total Expenditure
$1,523,928,500	**Health**		$1,671,448,300	32.5
898,271,700	**Education and Training**		935,337,100	18.2
487,267,700	**Family Services**		535,289,200	10.4
379,005,600	**Assistance to Local Governments and Taxpayers**		388,081,800	7.5
$ 55,616,900	• Rural Development	$64,010,000		
75,058,300	• Urban Affairs	73,071,800		
248,330,400	• Tax Credit Programs	251,000,000		
588,269,100	**Economic and Resource Development**		607,859,600	11.8
$ 66,676,600	• Agriculture	$112,127,700		
13,402,000	• Energy and Mines	14,619,300		
11,763,600	• Environment	13,131,400		
230,476,700	• Highways and Transportation	235,345,700		
56,093,000	• Housing	51,232,300		
34,834,300	• Industry, Trade and Tourism	38,412,000		
150,122,300	• Natural Resources	110,349,200		
20,077,800	• Northern Affairs	19,597,400		
—	• Canada-Manitoba Enabling Vote	6,073,600		
4,622,200	• Allowance for Losses	5,600,000		
200,600	• Environmental Innovations Fund	1,371,000		
439,449,200	**Justice, Administration and Other Government**		466,081,000	9.1
$ 12,681,200	• Legislation	$21,212,700		
2,954,300	• Executive Council	3,409,200		
68,095,500	• Civil Service	75,727,300		
3,315,000	• Community Support Programs	4,112,400		
8,380,400	• Co-operative, Consumer and Corporate Affairs	8,982,600		
52,608,800	• Culture, Heritage and Recreation	56,211,600		
21,826,200	• Finance—Departmental Programs	23,057,600		
12,965,900	• Fitness and Sport	12,839,100		
77,432,200	• Government Services (excl. MPI)	82,485,700		
146,252,500	• Justice	152,230,600		
16,601,700	• Labour	16,077,200		
196,400	• Seniors' Directorate	277,000		
762,400	• Status of Women	958,000		
—	• Decentralization	1,000,000		
15,376,700	• Flood Control and Emergency Expenditures	2,500,000		
—	• General Salary Increases	5,000,000		
$4,316,191,800	**Total Program Expenditure**		$4,604,097,000	89.5
486,045,300	**Public Debt Costs**		537,066,600	10.5
$424,466,700	• Statutory	$475,600,000		
61,578,600	• Manitoba Properties Inc.	61,466,600		
$4,802,237,100	**Total Expenditure Estimates**		$5,141,163,600	100.0
	Less: Year-End Lapse		(60,000,000)	
$4,802,237,100	**TOTAL BUDGETARY EXPENDITURE**		$5,081,163,600	

* Adjusted for inclusion of lotteries funded programs.

Incremental Capital Authority Requirements for Non-Budgetary Programs, 1990/91

The Loan Act, 1990

The Manitoba Hydro-Electric Board	$278,700,000
The Manitoba Agricultural Credit Corporation	56,000,000
The Manitoba Housing and Renewal Corporation	60,000,000
The Manitoba Telephone System	38,825,000
The Manitoba Farm Mediation Board (Guarantees)	9,800,000
The Manitoba Water Services Board	5,999,900
Industrial Opportunities Program	3,147,000
Manitoba Hazardous Waste Management Corporation	1,211,000
	$463,682,900

Schedule of Exisiting Capital Authority to Lapse, 1990/91

Manitoba Data Services	$ 5,543,000
Energy Conservation Loan Fund	2,900,000
	$ 8,443,000

Non-Budgetary Capital Program, 1990/91

The Manitoba Hydro-Electric Board	$517,500,000
The Manitoba Telephone System	206,322,000
The Manitoba Housing and Renewal Corporation	89,440,000
The Manitoba Agricultural Credit Corporation	64,163,000
Business Support	31,375,000
Manitoba Development Corporation	9,817,000
The Manitoba Water Services Board	9,364,700
The Manitoba Farm Mediation Board	7,900,000
Miscellaneous Corporations and Agencies	17,804,000
	$953,685,700

STATEMENT OF VALUATION AND PURPOSE OF DIRECT AND GUARANTEED DEBT OUTSTANDING

(in thousands)

As at September 30, 1990 (Preliminary Unaudited)

	Par Value	Canadian Dollar Equivalent at Date of Issue	Canadian Dollar Valuation (Note 1)	Unamortized Foreign Exchange Fluctuation
Direct Debt Payable In:				
Canadian Dollars	4,441,546	$ 4,441,546	$ 4,441,546	$ 17,581
Foreign Issues Swapped to Canadian Dollars	1,694,972	1,699,395	1,694,972	(12,653)
U.S. Dollars	2,267,700	2,745,032	2,627,623	(56,388)
Foreign Issues Swapped to U.S. Dollars	1,180,265	1,266,498	1,350,279	32,341
Swiss Francs	210,000	171,991	187,026	11,780
Japanese Yen	21,350,000	117,460	186,755	10,739
Total Direct Debt		$10,441,922	$10,488,201	$ 3,400
Guaranteed Debt Payable In:				
Canadian Dollars	1,155,905	$ 1,155,905	$ 1,155,905	$ -
Foreign Issues Swapped to Canadian Dollars	59,816	54,280	59,816	-
U.S. Dollars	843,000	857,752	974,930	-
Total Guaranteed Debt		$ 2,067,937	$ 2,190,651	$ -
Total Direct & Guaranteed Debt		$12,509,859	$12,678,852	$ 3,400
Less: Sinking Funds		2,196,299	2,196,299	-
Net Direct & Guaranteed Debt		$10,313,560	$10,482,553 (2)	$ 3,400

As at March 31, 1990 (Preliminary Unaudited)

	Par Value	Canadian Dollar Equivalent at Date of Issue	Canadian Dollar Valuation (Note 1)	Unamortized Foreign Exchange Fluctuation
Direct Debt Payable In:				
Canadian Dollars	4,329,341	$ 4,329,341	$ 4,329,341	$ 17,581
Foreign Issues Swapped to Canadian Dollars	1,707,837	1,707,967	1,707,837	(11,947)
U.S. Dollars	2,067,700	2,515,133	2,421,855	(33,605)
Foreign Issues Swapped to U.S. Dollars	1,088,654	1,180,958	1,270,035	43,233
Swiss Francs	15,000	8,476	11,711	-
Japanese Yen	35,000,000	209,270	287,590	(3,526)
Total Direct Debt		$ 9,951,145	$10,028,369	$ 11,736
Guaranteed Debt Payable In:				
Canadian Dollars	1,208,344	$ 1,208,344	$ 1,208,344	$ -
Foreign Issues Swapped to Canadian Dollars	59,816	54,280	59,816	-
U.S. Dollars	723,000	718,649	846,858	-
Total Guaranteed Debt		$ 1,981,273	$ 2,115,018	$ -
Total Direct & Guaranteed Debt		$11,932,418	$12,143,387	$ 11,736
Less: Sinking Funds		2,200,639	2,200,639	-
Net Direct & Guaranteed Debt		$ 9,731,779	$ 9,942,748 (2)	$ 11,736

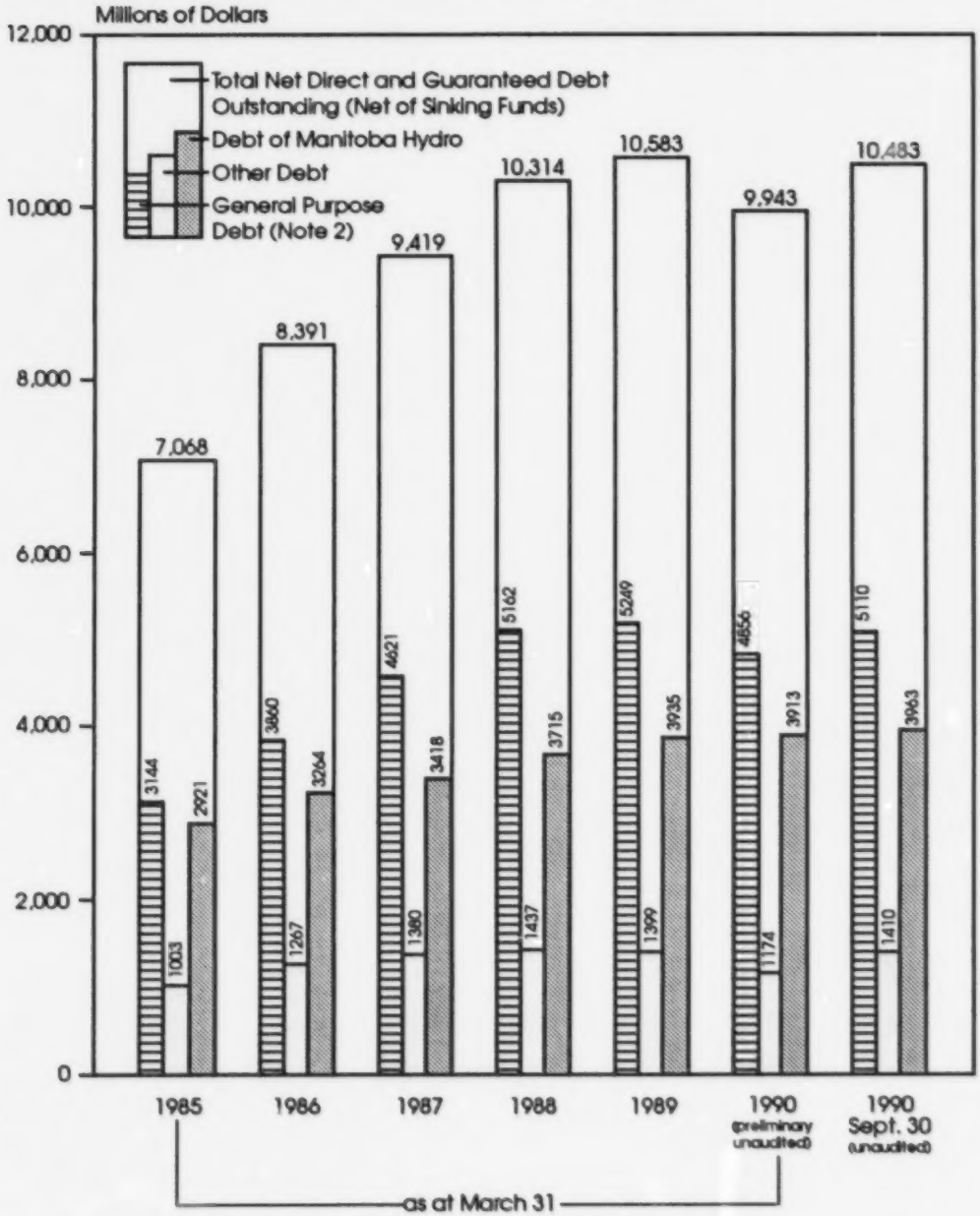
NOTE 1: The Canadian Dollar Valuation is calculated using the foreign currency exchange rates in effect at September 30, 1990 and March 31, 1990 adjusted for any foreign currency contracts entered into for settlement after these dates.

NOTE 2: The above debt was issued for the following purposes:

	September 30, 1990	March 31, 1990
General Government Programs (Note 3)	$ 5,110,060	$4,855,637
The Manitoba Hydro-Electric Board	3,962,921	3,912,611
Other	1,409,552	1,174,500
	$10,482,553	$9,942,748

NOTE 3: Includes $370 million ($372 million as at March 31, 1990) of cumulative redeemable retractable 9 1/4% preferred shares issued by Manitoba Properties Inc., which are guaranteed by the Province. Consolidation with the Provincial accounts would require Manitoba Properties Inc. debt to be reclassified as Direct Province of Manitoba debt.

Province of Manitoba
Net Direct and Guaranteed Debt, by Purpose

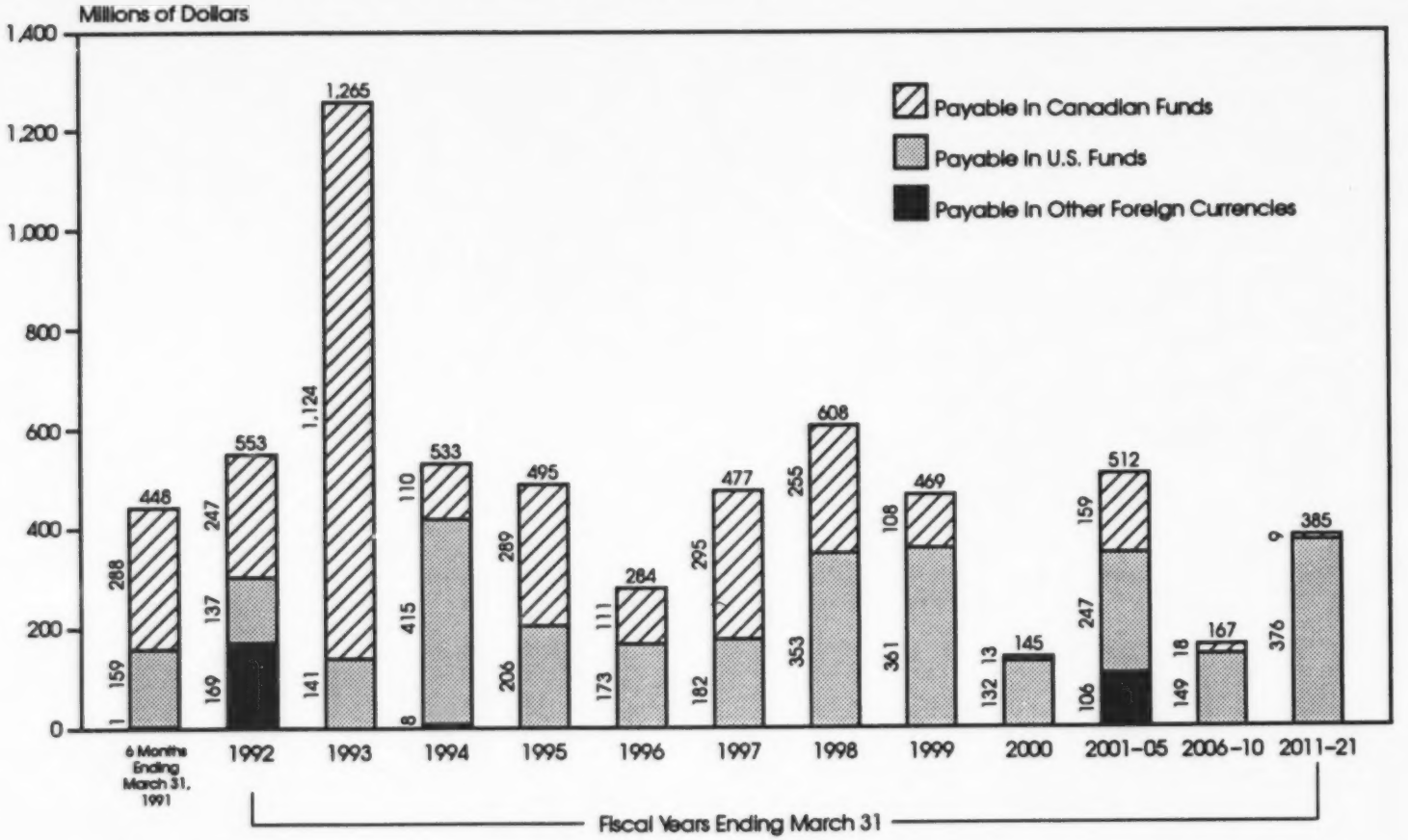


Note 1: The above chart indicates the Total Net Direct and Guaranteed Debt of the Province of Manitoba (after deducting accumulated Sinking Funds) using foreign exchange rates in existence on the dates reflected above.

Note 2: Includes as General Purpose Debt, the cumulative redeemable retractable 9 1/4% preferred shares issued by Manitoba Properties Inc., which are guaranteed by the Province.

Province of Manitoba Direct and Guaranteed Debt

Net Refunding Requirements by Fiscal Year by Currency as at September 30, 1990



Note 1: The above chart indicates the amount which the Province of Manitoba will have to borrow for the purpose of repaying Direct and Guaranteed Debt outstanding at September 30, 1990 (based on the foreign exchange rates in existence on September 30, 1990).

Note 2: The Province of Manitoba has four retractable debenture issues and one extendable debenture issue outstanding at September 30, 1990. The maturity date of these issues has been assumed to be the maturity date occurring if the holders of the securities were to consider utilizing the related extendable or retractable options under present market conditions.

MANITOBA FINANCIAL STATISTICS, 1981/82 TO 1990/91

	1981/ 1982	1982/ 1983	1983/ 1984	1984/ 1985	1985/ 1986
	(Millions of Dollars)				
REVENUE					
Manitoba Collections	714.1	804.3	1,052.2	1,110.5	1,233.9
Income Taxes	629.2	685.3	707.1	716.5	776.2
Federal Transfers	837.5	919.4	1,037.9	1,097.6	1,106.5
Fiscal Stabilization	n/a	n/a	n/a	n/a	n/a
Total	2,180.8	2,409.0	2,797.2	2,924.6	3,116.6
EXPENDITURE					
Program Expenditure	2,317.9	2,681.8	2,986.4	3,159.2	3,332.2
Public Debt Costs (Incl. MPI)	114.0	161.8	239.7	248.0	312.7
Total	2,431.9	2,843.6	3,226.1	3,407.2	3,644.9
DEFICIT	251.0	434.6	428.9	482.5	528.3
NET DIRECT AND GUARANTEED DEBT					
General Purpose	1,435.7	1,857.2	2,512.0	3,144.1	3,860.5
Hydro	2,763.7	2,860.8	2,885.6	2,921.2	3,263.7
Other Debt	963.5	992.3	952.7	1,003.2	1,267.3
Total	5,162.9	5,710.3	6,350.3	7,068.5	8,391.5
ANNUAL CHANGE					
	(Per Cent Change)				
Manitoba Collections	17.1	12.6	30.8	5.5	11.1
Income Taxes	19.9	8.9	3.2	1.3	8.3
Federal Transfers	0.4	9.8	12.9	5.8	0.8
Total Revenue	10.8	10.5	16.1	4.6	6.6
Program Expenditure	17.1	15.7	11.4	5.8	5.5
Total Expenditure	18.2	16.9	13.5	5.6	7.0
Deficit	180.5	73.1	(1.3)	12.5	9.5
Net General Purpose Debt	35.0	29.4	35.3	25.2	22.8
Total Net Debt	12.2	10.6	11.2	11.3	18.7

n/a - not applicable

Note: Totals may not add due to rounding.
Refer to Public Accounts of Manitoba for applicable statements on accounting policy.

1986/ 1987	1987/ 1988	1988/ 1989	1989/ 1990p	1990/ 1991b	
(Millions of Dollars)					
					REVENUE
1,346.2	1,569.7	1,743.9	1,817.4	1,784.8	Manitoba Collections (1)
879.5	1,156.1	1,231.0	1,183.4	1,300.7	Income Taxes
1,160.9	1,313.0	1,568.1	1,657.0	1,629.3	Federal Transfers
n/a	n/a	(200.0)	0.0	83.0	Fiscal Stabilization
3,386.5	4,038.8	4,343.0	4,657.8	4,797.8	**Total** (1)
					EXPENDITURE
3,535.1	3,848.0	4,043.7	4,316.2	4,544.1	Program Expenditure (1)
410.5	490.4	440.6	486.0	537.1	Public Debt Costs (Incl. MPI)
3,945.6	4,338.4	4,484.3	4,802.2	5,081.2	**Total** (1)
559.1	299.6	141.3	144.4	283.4	**DEFICIT**
					NET DIRECT AND GUARANTEED DEBT
4,621.0	5,162.1	5,249.0	4,855.6	5,341.0	General Purpose
3,417.5	3,714.6	3,935.2	3,912.6	4,135.7	Hydro
1,380.8	1,437.0	1,399.1	1,174.5	1,587.3	Other Debt
9,419.3	10,313.7	10,583.3	9,942.7	11,064.0	**Total**
					ANNUAL CHANGE
(Per Cent Change)					
9.1	16.6	11.1	4.2	(1.8)	Manitoba Collections
13.3	31.4	6.5	(3.9)	9.9	Income Taxes
4.9	13.1	19.4	5.7	(1.7)	Federal Transfers
8.7	19.3	7.5	7.2	3.0	Total Revenue
6.1	8.9	5.1	6.7	5.3	Program Expenditure
8.2	10.0	3.4	7.1	5.8	Total Expenditure
5.8	(46.4)	(52.8)	2.2	96.3	Deficit
19.7	11.7	1.7	(7.5)	10.0	Net General Purpose Debt
12.2	9.5	2.6	(6.1)	11.3	Total Net Debt

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Note 1: Manitoba Collections, Total Revenue, Program and Total Expenditure for 1989/90 and 1990/91 include provision for lotteries funded programs.

... continued

(continued)

MANITOBA FINANCIAL STATISTICS, 1981/82 TO 1990/91

	1981/ 1982	1982/ 1983	1983/ 1984	1984/ 1985	1985/ 1986
			(Per Cent)		
PER CENT OF GDP					
Revenue	16.6	17.2	18.8	17.7	17.6
Expenditure	18.5	20.3	21.6	20.6	20.6
Deficit	1.9	3.1	2.9	2.9	3.0
Net General Purpose Debt	10.9	13.2	16.8	19.0	21.8
Total Net Debt	39.2	40.7	42.6	42.8	47.4
PER CENT OF REVENUE					
Manitoba Collections	32.7	33.4	37.6	38.0	39.6
Income Taxes	28.9	28.4	25.3	24.5	24.9
Federal Transfers	38.4	38.2	37.1	37.5	35.5
Fiscal Stabilization Fund	n/a	n/a	n/a	n/a	n/a
PER CENT OF EXPENDITURE					
Program Expenditure	95.6	95.0	93.7	92.7	91.4
Public Debt Costs (Incl. MPI)	4.7	5.7	7.4	7.3	8.6
Deficit	10.3	15.3	13.3	14.2	14.5
DOLLARS PER CAPITA			(Dollars)		
Revenue	2,125	2,331	2,675	2,772	2,929
Expenditure	2,370	2,752	3,085	3,229	3,426
Deficit	245	421	410	457	496
Net General Purpose Debt	1,399	1,797	2,402	2,980	3,628
Total Net Debt	5,031	5,526	6,073	6,699	7,887
Memorandum Items					
Population (000's)	1,026	1,033	1,046	1,055	1,064
GDP at market prices ($ Millions)	13,169	14,019	14,917	16,509	17,706

Note: Totals may not add due to rounding.
Ratios computed using unrounded data.

Source: Manitoba Department of Finance

1986/ 1987	1987/ 1988	1988/ 1989	1989/ 1990p	1990/ 1991b	
		(Per Cent)			
					PER CENT OF GDP
18.3	20.6	20.3	20.3	19.9	Revenue
21.4	22.1	21.0	20.9	21.0	Expenditure
3.0	1.5	0.7	0.6	1.2	Deficit
25.0	26.3	24.6	21.2	22.1	Net General Purpose Debt
51.0	52.6	49.6	43.3	45.8	Total Net Debt
					PER CENT OF REVENUE
39.8	38.9	40.2	39.0	37.2	Manitoba Collections
26.0	28.6	28.3	25.4	27.1	Income Taxes
34.3	32.5	36.1	35.6	34.0	Federal Transfers
n/a	n/a	(4.6)	0.0	1.7	Fiscal Stabilization Fund
					PER CENT OF EXPENDITURE
89.6	88.7	90.2	89.9	89.4	Program Expenditure
10.4	11.3	9.8	10.1	10.6	Public Debt Costs (Incl. MPI)
14.2	6.9	3.2	3.0	5.6	Deficit
		(Dollars)			**DOLLARS PER CAPITA**
3,161	3,743	4,006	4,294	4,402	Revenue
3,683	4,021	4,136	4,427	4,662	Expenditure
522	278	130	133	260	Deficit
4,314	4,784	4,842	4,476	4,900	Net General Purpose Debt
8,793	9,559	9,762	9,165	10,151	Total Net Debt
					Memorandum Items
1,071	1,079	1,084	1,085	1,090	Population (000's)
18,468	19,597	21,347	22,947	24,168	GDP at market prices ($ Millions)

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TAXATION ADJUSTMENTS

TAXATION ADJUSTMENTS

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Goods and Services Tax

The Goods and Services Tax (GST) is scheduled to be implemented by the federal government on January 1, 1991. This measure will have a significant impact on provincial Retail Sales Tax (RST) revenue. Provinces have the option of placing their retail sales tax on top of the selling price including the GST, or applying the RST alongside the selling price before the GST.

Manitoba's decision to tax alongside the GST will result in reduced RST revenue of $30 million annually and provide savings to Manitobans.

The benefits to Manitoba households of taxing alongside the GST are shown in the table below.

Effect of Applying Manitoba Retail Sales Tax alongside the Goods and Services Tax

Total Income 1991	Saving	Saving as % of RST
Under 10,000	$ 17	4.2 %
10,000–15,000	12	4.0
15,000–20,000	23	4.2
20,000–25,000	30	4.3
25,000–35,000	37	4.5
35,000–50,000	49	4.4
50,000–100,000	65	4.3
100,000 and Over	125	4.4

■ Payroll Tax

(1990/91 Revenue Impact: Negligible)

Credit for Training Costs

The October 11, 1990 Speech from the Throne announced a new skills training strategy called the Workforce 2000 Plan, to improve the basic skills and education of Manitobans. The comprehensive program consists of training advisory and human resource planning services; private sector training incentives to encourage private business to increase their investment in training; an industry-wide planning and training initiative to assess skills and training needs; and province-wide special curriculum courses.

As part of this initiative, Manitoba firms will be eligible for a maximum 0.3% payroll tax credit to offset training and development costs.

Over the next few months, the Government will undertake consultations with the business community to finalize the specific criteria of the credit.

Exemption for Interprovincial and International Trucking

The Government recognizes the increasing competitive pressures on Manitoba's trucking industry, and the importance of out-of-province business to trucking operations. Manitoba trucking firms are currently exempt from the payroll tax for remuneration paid which is attributable to mileage in other provinces. Effective January 1, 1991, this exemption will be extended to remuneration directly related to all interprovincial and international traffic.

It is anticipated that these two changes will reduce payroll tax revenue by about $8 million annually.

Inquiries relating to the payroll tax should be directed to:

Health and Post-Secondary Education Tax Branch
Department of Finance
Room 300, Norquay Building
Winnipeg, Manitoba
R3C 0P8
Telephone: (204) 945-3954

■ Manitoba New Small Business Tax Reduction

The Small Business Tax Reduction, introduced in the August 1988 Budget, provides income tax relief to new small business corporations for the first five taxation years. The relief currently applies to corporations incorporated under The Corporations Act, The Co-operatives Act, or The Credit Unions and Caisses Populaires Act from August 8, 1988 to December 31, 1990.

The eligibility period for new corporations will be extended by one year to December 31, 1991.

This program recognizes the importance of entrepreneurship in Manitoba, and the difficulties encountered in launching new businesses.

In their first year of operation, eligible new small businesses will be exempt from provincial corporation income tax on the first $200,000 of active business income. For the next four years, they pay tax at a reduced rate.

New Small Business Tax Reduction

New Corporation's Taxation Year	Net Manitoba Tax Rate*
First	0 %
Second	2
Third	4
Fourth	6
Fifth	8
Sixth	10

**Applies to the income allocated to Manitoba on which the Small Business Deduction is allowed.*

This program is administered by the Manitoba Department of Finance and by Revenue Canada. Inquiries may be directed to:

Manitoba Tax Assistance Office
Room 309, Norquay Building
Winnipeg, Manitoba
R3C 0P8
Telephone: (204) 943-3401 in Winnipeg
1-800-782-0771 outside Winnipeg (toll free)

■ Tobacco Tax

(1990/91 Revenue Impact: +$2.2 million)

The tobacco tax rate will be increased by 0.5¢ to 7¢ per cigarette, effective midnight December 2, 1990.

The full-year revenue increase associated with this measure is $6.6 million.

Inquiries regarding tobacco taxation should be directed to:

Mining and Use Tax Branch
Department of Finance
Room 700, Norquay Building
Winnipeg, Manitoba
R3C 0P8
Telephone: (204) 945–3297

■ Mining Tax

(1990/91 Revenue Impact: +$2.3 million)

The 1989 Manitoba Budget introduced a temporary tax on mining profits until the industry was able to resolve shortcomings in the allocation of provincial income tax.

The Government had anticipated a solution to the income tax allocation problem in the mining industry by this time. Obtaining an acceptable resolution has taken longer than originally expected.

As a result, the 1.5% tax on mining profits introduced in the 1989 Budget will be extended to December 31, 1991. The tax will be rescinded if the problem is resolved before that date.

Inquiries relating to mining taxation should be directed to:

Mining and Use Tax Branch
Department of Finance
Room 700, Norquay Building
Winnipeg, Manitoba
R3C 0P8
Telephone: (204) 945–3296

1990 Intercity Comparison of Annual Personal Costs and Taxes

Family of four at $40,000 total income

	Vancouver	Edmonton	Regina	Winnipeg	Toronto	Montreal	Halifax
Net Provincial Income Tax[1]	2,869	2,791	3,586	3,217	2,953	3,362	3,315
Property Tax[2]	1,803	1,695	1,589	1,756	2,183	1,932	1,862
Retail Sales Tax[3]	602	0	740	1,052	1,076	831	933
Gasoline Tax[4]	258	140	200	180	226	288	214
Health Premiums	744	552	0	0	0	0	0
Auto Insurance[5]	1,012	834	602	611	1,288	655	642
Levies	7,288	6,012	6,717	6,816	7,726	7,068	6,966
Home Heating[2]	410	450	560	640	570	910	810
Electricity[6]	521	554	604	478	650	485	742
Telephone[7]	191	146	106	133	172	160	157
Living Costs	1,122	1,150	1,270	1,251	1,392	1,555	1,709

(1) Income is sum of Earnings and Family Allowances. The family consists of a taxfiler, dependent spouse, 2 children—1 under age 6, 1 between 12 and 15. Non-refundable credits for CPP and UIC contributions are allowed. Family Allowances are adjusted for Alberta and Quebec. Income taxes include surtaxes and are net of tax reductions, refundable sales tax credits/rebates. For Quebec, taxes are reduced by the value of federal tax abatement.

(2) Property tax and home heating are from CMHC Affordability Measure, September 1990, which uses averages of starter homes in metropolitan areas.

(3) Retail Sales Tax is based on expenditure patterns in Statistics Canada's 1986 Family Expenditure Survey.

(4) Gasoline Tax cost is based on the annual consumption of 2,000 litres of unleaded regular gas at October 1, 1990 rates.

(5) Auto insurance premium is calculated for a male, above 30 years of age, driving a 1985 Chevrolet Caprice Classic. Coverage includes $500,000 third party liability, $250 collision deductible (Saskatchewan $200, British Columbia $300) and $50 comprehensive deductible (Manitoba $250) as at March 1, 1990.

(6) Electricity charges represent an annual bill for 9,000 kW h. Rates are as at May 1, 1990.

(7) Telephone charges are for the main telephone in an individual residence as at July 2, 1990. Amounts include applicable municipal taxes and surcharges.

Interprovincial Comparision of Major Tax Rates, 1987 and 1990

	B.C.		Alta.		Sask.		Man.		Ont.	
	1987	1990	1987	1990	1987	1990	1987	1990	1987	1990
Personal Income Tax: [1, 2]	51.50	51.50	46.50	46.50	50.00	50.00	54.00	52.00	50.00	53.00
Flat Income Tax [1, 3]	—	—	1.00	0.50	1.50	2.00	2.00	2.00	—	—
Surtax [1]	No	No	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Corporation Income Tax:										
Small [4]	11.00	9.00	5.00	6.00	10.00	10.00	10.00	10.00	10.00	10.00
Large	15.00	14.00	15.00	15.00	17.00	15.00	17.00	17.00	15.50	15.50
Capital Tax: [5]	—	—	—	—	0.50	0.50	0.50	0.50	0.30	0.30
Banks	2.00	2.00	0.00	2.00	3.00	3.00	3.00	3.00	0.80	0.80
Employer Payroll Tax	—	—	—	—	—	—	2.25	2.25	0.00	1.95
Small Firms [6]	—	—	—	—	—	—	2.25	0.00	0.00	0.98
Health Care Premiums ($)	456	744	432	552	—	—	—	—	714	0.00
Sales Tax [7]	6.00	6.00	—	—	7.00	7.00	7.00	7.00	7.00	8.00
Diesel Fuel (¢/l) [8]	8.08	10.37	5.00	7.00	7.00	10.00	9.90	9.90	9.90	10.90
Unleaded Gasoline(¢/l) [8]	7.64	9.93	5.00	7.00	7.00	10.00	8.00	9.00	8.30	11.30

Tax went up Tax went down — Not applicable

All figures are percentages unless otherwise indicated.

(1) Quebec has its own provincially administered personal income tax system. All other provinces' personal income taxes are collected and administered by the federal government.

(2) British Columbia, Alberta, Saskatchewan, Manitoba and Ontario provide tax reductions at low income levels.

(3) Manitoba and Saskatchewan assess the flat tax on "net income" and Alberta assesses the flat tax on "taxable income".

(4) Some provinces, including Manitoba, have special reductions for new small business corporations.

(5) Capital tax in Manitoba includes 0.2% surtax. In some instances the rate for banks also applies to trust and loan companies.

(6) Firms with payroll of $200,000.

(7) Retail Sales Tax refers to general rate only.

(8) Petroleum taxes are for regular unleaded gasoline and for highway diesel fuel. British Columbia, New Brunswick, Nova Scotia, Prince Edward Island and Newfoundland rates include *ad valorem* taxes, which are adjusted periodically depending on pump market prices.

Que. 1987	Que. 1990	N.B. 1987	N.B. 1990	N.S. 1987	N.S. 1990	P.E.I. 1987	P.E.I. 1990	Nfld. 1987	Nfld. 1990	
•	•	58.00	60.00	56.50	59.50	55.00	57.00	60.00	62.00	Personal Income Tax [1, 2]
•	•	—	—	—	—	—	—	—	—	Flat Income Tax [1, 3]
•	•	No	No	No	Yes	No	Yes	No	No	Surtax [1]
										Corporation Income Tax
3.22	3.45	9.00	9.00	10.00	10.00	10.00	10.00	10.00	10.00	Small [4]
5.90	6.33	15.00	16.00	15.00	16.00	15.00	15.00	16.00	17.00	Large
0.48	0.52	—	—	—	—	—	—	—	—	Capital Tax: [5]
0.97	1.04	2.00	3.00	1.50	3.00	0.00	2.50	2.00	3.00	Banks
3.22	3.45	—	—	—	—	—	—	0.00	1.50	Employer Payroll Tax
3.22	3.45	—	—	—	—	—	—	—	—	Small Firms [6]
—	—	—	—	—	—	—	—	—	—	Health Care Premiums ($)
9.00	9.00	11.00	11.00	10.00	10.00	10.00	10.00	12.00	12.00	Sales Tax [7]
12.45	12.45	8.00	11.60	9.10	14.10	10.40	11.10	12.10	13.30	Diesel Fuel (¢/l) [8]
14.40	14.40	8.40	11.20	8.70	10.70	8.90	11.30	9.80	12.40	Unleaded Gasoline(¢/l) [8]